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# SOCIAL ORDER

## THE ENTERPRISE

a symposium

Leo C. Brown

Philip S. Land

John L. Thomas

Albert S. Foley

Joseph M. Becker

Mortimer H. Gavin

Bernard W. Dempsey

Cornelius A. Eller

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Vol. II

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## THE ENTERPRISE

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Philip S. Land, S.J., special editor

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## SOCIAL ORDER

3655 West Pine Boulevard, Saint Louis 8, Missouri

FRANCIS J. CORLEY, S.J.  
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## INSTITUTE OF SOCIAL ORDER

Saint Louis University, Saint Louis 3, Missouri

LEO C. BROWN, S.J.  
Director

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Assistant Director

Joseph M. Becker, S.J., Raymond Bernard, S.J., Cornelius A. Eller, S.J., Albert S. Foley, S.J., Mortimer H. Gavin, S.J., Philip S. Land, S.J., William A. Nolan, S.J.

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# The Enterprise

*The papers presented here are the result of discussion among members of the Institute of Social Order. The discussion centered around the question: What can be done within the individual business enterprise to improve human relations in industry?*

*As the discussions progressed, differences of opinion, some of them radical, began to appear. It was decided to present these views in frankly partisan form. Obviously the nature of the discussion and of the presentation makes either completeness or finality impossible. The papers are a stage-of-the-road and are presented as points of view.*

*Obviously, too, such questions as are discussed here do not preclude investigation and effort at higher levels of economic society. The discussion seeks merely to discover what can be done to make individual enterprises more socially wholesome units in larger societies.*

—♦—  
*How can the competence of the individual enterprise to satisfy the natural expectations of its constituent members and of society be improved at the enterprise level?*

## IMPORTANCE OF THE ENTERPRISE

*Conflict Impedes Healthy Economic Life*

JOSEPH M. BECKER, S.J.  
Institute of Social Order

HERE has been a steady growth away from the extreme economic individualism of the eighteenth and nineteenth centuries. In the last fifty years the growth has been rapid. At present in the United States it is not the individual but the organized group which is the principal economic agent: the corporation for the employer, the union for the employee.

These group-agents have a tendency to be large and to grow larger. The corporation may embrace many individual plants doing very different kinds of work, and the union may be equally or even more extensive.

These group-agents have a tendency, also, to be antagonistic. Whether their antagonism constitutes, or will develop into, the "class warfare" Marx predicted is doubtful. But there can be no doubt that they have a strong tendency toward conflict of some kind. Even where there is no deep-seated ideological difference between them, there is a natural struggle over their respective shares of the joint product and over their respective degrees of prestige and independence. Furthermore, these giants have a tendency to engage in internecine struggles: corporation against corporation, union against union.

### Source of Danger

The growth of large, conflicting groups—hostile power centers—creates a twofold danger. There is the immediate danger that their conflict will intensify to a point where it impedes economic progress and disrupts civil peace. There is the later danger that society in seeking to protect itself from the consequences of the struggle will accept the remedy of a government strong enough to put an end to the struggle. A government that strong could become a dictatorship.

One suggested defense against the danger is to break up the large groups: enact and enforce anti-trust laws in the case of both corporations and unions. Another possible defense is to educate these giant private groups to cooperate voluntarily for the common good. A third is to supplement, or supplant, these groups by the *ordines*<sup>1</sup> of the papal plan.

The obscurity which still surrounds the whole problem leaves uncertain the exact degree to which these defenses are alternatives or are complementary.

### What of Enterprise?

But we have inklings. There is one line of action which more than others looks promising. There is one step we can take which is very likely to add to our knowledge of the respective merits of the three solutions, and is certain to facilitate the operation of whichever we select. That step is to examine, with a view to improving, the competence of the individual enterprise.

The principle of subsidiarity is central to the solution of this problem of growing bigness, and the principle of subsidiarity calls for the larger organization to assume only those functions

<sup>1</sup> "Industry Councils" and "Vocational Groups" are the two English equivalents which enjoy the widest usage. But there is no official term; neither is there a term with a meaning clearly applicable to American conditions. In the circumstances, an uncertain foreign-language term has its advantages.

which the smaller organization cannot perform competently. If our desire is to check the growth of centralized power, and especially the growth of State power, the soundest and most direct method is to make the smaller organizations as competent as possible.

What do we mean by "the smaller organizations" and what do we mean by "competence"?

The identity of these "smaller organizations" will vary somewhat with variations in the general problem. The relevant organization might be the National Tube Company within (i.e. a subsidiary of) the United States Steel Corporation. Or it might be the Ellwood Works, a single plant belonging to the National Tube Company, employing about 4,000 workers and situated off by itself in Ellwood City, a place of about 14,000 population. Or it might be an unincorporated business, a "firm," which in American law is not recognized as a legal person distinct from the members composing it. In general it will be the smallest practicable productive unit relevant to a given problem. We will call this vaguely defined productive unit by the general term, "individual enterprise." The individual enterprise, thus defined, is the focus of our interest. We are more interested in the competence of the Ellwood Works than in that of the National Tube Company, and in the competence of National Tube than in that of United States Steel.

### Satisfies Needs

The term "competence" is used here in a wide sense. It means the ability to provide all that the individuals who are members of the enterprise expect from it and all that the society of which the enterprise is a member expects from it.

Its individual members (owners, managers and other employees) expect it to provide both physical and spiritual goods. They expect a level of physical comfort equal to that enjoyed by the most fortunate of their customary associates. They expect to live on that

level securely, and they expect some day to progress beyond it.

They expect the enterprise to provide them with spiritual goods, also. That is true especially of the managers and other employees, who expect to get from their work in the enterprise:

1. Respect of their fellows: the result of playing a socially respected role.
2. Self-realization: The result of utilizing the full range of one's capacities.
3. Self-sufficiency: the result of reducing the control exercised by others and of having more to say in the shaping of one's own life.

Society also has its expectations. It expects from the enterprise goods that are needed (and not merely wanted), produced in adequate quantities and at low prices. The low price includes not only the direct monetary cost of production, but even such "social" costs as depleted resources, defaced scenery, spoiled streams and polluted air.

### **Norms Not Absolutes**

It would be unwise to lay down in advance some absolute norms of competence which the individual enterprise (or the larger organizations) must meet—"or else." Absolute norms in these contingent matters are apt to be expensive luxuries, costing more than was anticipated. If, for example, we lay down an absolute norm of perpetually full employment, then we shall have to pay the cost of a completely controlled economy. If, on the other hand, we insist on absolute freedom of action for the private producer, then we shall very likely have to pay the cost of considerable unemployment at times. In general, laying down unconditional "musts" does not constitute the best approach to these complicated problems.

Rather, it would be good to see what the present competence of the individual enterprise is, what it would cost to improve it, and what would still be lacking. After that we shall be in a better position to judge net gains and losses flowing from a given proposal to arrange economic society thus and so.

We can be certain that anything done to improve the competence of the individual enterprise is an important and, to some extent, necessary step toward the general organization of economic society. The greater the degree of successful self-government there is among the primary units of industrial society, the greater will be their resistance to the tendency of the larger units to grow at the expense of the smaller. Furthermore, only if these primary units are sound may they be safely used as the building blocks of what larger structures are necessary. Even the *ordines* can be kept from becoming instruments of tyranny only if there is active and successful self-government in the individual enterprises which are their roots.

### **Question of Importance**

This is the unique importance of the individual enterprise. Hence, also, our interest in surveying the conditions of the individual enterprise in the United States today. We wish to know how competent the individual enterprise is now (for both large and small enterprises, and in various industries); what has lessened its competence in the past (its size? the selfishness of employers? the politics of unions?); what will aid it to grow in competence in the future (co-management? profit-sharing? company-sized unions?); and finally, what is the probability that such growth can be achieved without sacrificing other values (what diminution of production and of worker security may come from the diminution of corporation and union power? are the giant corporation and union the only realistic possibility? over how large an area of industrial life?).

The discussion of the individual enterprise provided in the following articles is not complete. The treatment is both selective and tentative. Only some of the pertinent issues are selected for discussion, and the discussion is exploratory only. Labor-man-

agement relations are accorded special emphasis in the discussion because of their unique importance for the solution of the total problem. Successful labor-management relations are absolutely necessary to competence in the enterprise and when achieved are especially productive of that competence.

### Differences Appear

By and large the discussion does not advance beyond an initial exploration of the individual enterprise's capacity for independent effort. But that consideration is important. If the existence of institutions larger than the individual enterprise—the huge corporation of which it is a subsidiary, the trade union, the industry bloc, government—so circumscribe enterprise action as to preclude genuine independence, not much can be done.

Some of the authors who contribute to the discussion are persuaded that such conditions seem to exist. Father Eller, for instance, contends that large international trade-unions, because of their inherent power and their internal political exigencies (as well as for other reasons), considerably inhibit independent action between employees and the men who hire them.

Father Thomas believes that the conflicts and tensions which beset American economic society rise from the imbalance of larger groups, at least as much as from the disagreements between individual employers and employees. He suggests, consequently, that not only will efforts toward improved competence within the enterprise be relatively unavailing, but that such an attempt tends unwittingly to conceal the more significant sources of unsatisfactory performance, unions, industry groups, government and other larger social bodies.

The American enterprise cannot be considered to have fulfilled its total social role, Father Foley reminds us, until minority workers can find an equitable place in it. He presents a

brief review of what has already been done to eliminate discrimination against minority members in matters of employment.

### Others See Competence

Father Gavin presents evidence that the trade-union is not only not an obstacle to the progress of enterprise competence in fulfilling its total role, but that it has already contributed substantially to that progress.

Father Brown indicates wide areas of common interest which collective bargaining obscures. Both sides must conquer their fears and foster cooperation if collective bargaining is to continue.

After making some brief observations on the foregoing contributions, Father Land reports briefly the results of some well-known studies which indicate what has been done in individual enterprises to enhance their competence. In the final part of his paper he outlines some considerations on the nature of the enterprise which emphasize its social role.

To these papers is appended a short note by Father Dempsey. In it he reviews two works on Joseph Schumpeter, the foremost American exponent of the role of the entrepreneur in the economy.

Obviously these papers do little more than suggest lines for further investigation. The questions raised by Fathers Eller and Thomas must be further prosecuted, perhaps along the lines indicated by Fathers Gavin's and Land's complementary papers. Lines of improvement remain largely unexplored (at least by this discussion), and the costs of such improvement remain unassessed. Then we would still have before us a new problem of evaluating the resultant institutions.

But Rome was not built in a day, and civilizations are not built, but evolve. We can, at least, contribute some direction to that evolution. With that in view, it is good to ask questions and to seek answers.

*The human problems of industrial society, which plant-level efforts can somewhat improve, must be recognized as group problems and solved on these higher, collective levels.*

# ENTERPRISES AND COLLECTIVITIES

*Problems Must Be Solved Where They Exist*

JOHN L. THOMAS, S.J.  
Institute of Social Order

IMPROVING the competence of the individual enterprise has been suggested as the most important step toward obtaining a satisfactory organization of contemporary economic society. This manner of viewing industrial relations is based on the following assumptions: 1. The greater the degree of successful self-government there is among the primary units of industrial society, the greater will be their resistance to the tendency of the larger units to grow at the expense of the smaller. 2. Only if these primary units are sound may they be safely used as the building blocks of what larger social structures are necessary. Briefly, this line of reasoning constitutes a plea for the application of the principle of subsidiarity in the economic sphere. Theoretically, this approach to industrial relations appears quite logical; in practice it seems to ignore some essential characteristics of contemporary economic society.

Few would deny the importance of what takes place on the front line of contact between worker and supervisor. However, to look upon this as the critical and decisive area in industrial relations indicates an insufficient awareness of the institutional and technological exigencies of large-scale organizations.

## Group Relations Important

In the first place, social life is increasingly characterized by collective relations in contemporary industrial societies. The relationships between individuals can be fully understood only in the context of the collectivities to which individuals belong. Relationships *within* a given institution are qualitatively different from those which exist between individuals representing different institutions. In the former, interaction of individuals takes place in terms of roles, statuses and established inter-individual patterns. In the latter, interactions are not strictly individual, but collective.

For example, the interaction of an organized worker and his supervisor at the plant level can be viewed in two ways. On the one hand, the enterprise can be considered as a productive unit, a social institution in which the worker and supervisor cooperate as a team to produce a desired item. Within this framework they interact as individuals fulfilling different roles and enjoying diverse statuses within an institution.

On the other hand, the interaction between worker and supervisor can be considered as a relationship between the

*worker as member of a union* (a distinct institution) and the supervisor as *representative of management*. In the first instance, the study of their interactions will constitute an analysis of individual relations; in the second, an analysis of collective relations. In the field of industrial relations, considerable advance has been made in the first field. The analysis of collective relationships is relatively undeveloped, *despite the fact that collective relations characterize modern industrial societies*.

### Technological Changes

There is another area in which the individual-enterprise approach to industrial relations indicates an insufficient awareness of the institutional and technological exigencies of large-scale organizations. Changes in the productive process have tended to move steadily toward the destruction of the skill hierarchy. Jobs become increasingly specialized and divided into smaller, more composite units with the result that they become more and more simplified. As a consequence, "skill" in the job is readily acquired, and individual workers can be easily replaced. Further, job processes tend to be incorporated into the actions of a machine so that machines are substituted for skilled workers. The skill which once gave the worker prestige and security is now owned by management in the form of machines.<sup>1</sup>

But this process has not only weakened the skill hierarchy, it has profoundly modified social relations between management and worker. The individual worker seems to be looked upon not as a person but as a number. At the same time, the worker sees management not as a man but as a symbol of economic authority. This increasing depersonalization of relationships tends to reduce

industrial interaction to the mere exchange of wages and services in a wage earner-employer context.

### Mobility Restricted

Finally, the break in the skill hierarchy has further decreased the worker's opportunities for vertical mobility. Not only is there relatively slight differentiation between jobs, but the modern worker often has almost no opportunity to train himself to enter the managerial hierarchy. Indeed, in many industries his lack of a high school or, in many instances, even of a college education excludes him a priori from any hope of entering the managerial class. It seems almost trite to point out that this state of affairs further modifies the social relations between management and workers.

### Two-fold Limitation

Thus far we have outlined two general limitations of the approach to industrial relations from the vantage point of the individual enterprise. In the first place, this approach runs the danger of forgetting that industrial relations in modern industrial society tend increasingly to be collective relations. Secondly, the organizational and technological requirements of the productive process seem incompatible with the modifications in the worker-job and worker-management relationships needed realistically to reintegrate the worker into the productive process. It will be helpful for the purposes of the present discussion to examine these two limitations in some detail.

It is the tacit assumption of those who develop the "human relations" approach in industry that the goals of organized labor and management do not conflict. Where conflict does occur, this is brought about by the breakdown of normal relations. Hence, to restore peace it is merely necessary to reorientate the conflicting groups toward the productive process by creating conditions which will produce the mutual accep-

<sup>1</sup> Cf. W. Lloyd Warner and J. O. Low, *The Social System of the Modern Factory*, Yale University Press, New Haven, 1947, pp. 66-87, 189-190.

tance of common goals. This is theoretically achieved through "mutual discussion" which inevitably leads to "mutual understanding."<sup>2</sup>

### The "Communications" Solution

In other words, conflict in industrial relations arises from a blockage in "communication." What is needed, therefore, is to develop and employ techniques capable of clearing the channels of communication, thus getting people to "understand" each other. The orthodox "human relations" approach is based on a conception of man and his activities reminiscent of the views of 18th century Scotch philosophers or even of Rousseau.

Although all do not hold the extreme position of Stuart Chase that the road to agreement in all human relations is through "talking it over" since the basis of conflict is primarily semantic, nevertheless, they do evidence such a strong faith in the effectiveness of communication that they imply there are really no conflicts of interest between unions and management but only psychological problems to be solved by mutual understanding.<sup>3</sup> The key word in their vocabulary is "communication." The word, used in its cult sense, "implies the facile premise that the conflicts that plague us are due simply to 'blocks' in the communication flow, and that if we get the technical hang of it, all will be well."<sup>4</sup>

One may or may not agree with those who advance the hypothesis that this approach is inherited from Elton Mayo, who, it is maintained, disliked conflict in social life and sought to re-establish a solidarity closely similar to

that discovered in so-called primitive societies.<sup>5</sup> What seems to be admitted beyond debate is that the "human relations" approach, with its emphasis on "communications," is a limited framework for the analysis of industrial relations.<sup>6</sup> The interaction between organized groups or, more specifically, the labor-management relationship, is not only highly complex but relatively unstable and dynamic. The process is complex, inasmuch as it involves political factors in the union, social factors in the community, economic factors in the industry and often strong or weak personalities in the two organizations. The process is dynamic and unstable since peaceful relations are maintained only to the extent that management and labor can compromise by expedient adjustment to each other's needs. The simple analysis of patterns of interaction in terms of equilibrium achieved through unblocked communications is obviously inadequate to deal with the manifold factors involved in industrial relations where interaction and accommodation between organized groups take place in an economic, technological and social context.<sup>7</sup> In reality, the

<sup>2</sup> Glen V. Cleeton, "The Human Factor in Industry," *The Annals of the American Academy of Political and Social Science*, 247 (March, 1951) 19-20.

<sup>3</sup> Stuart Chase, *Roads to Agreement*, Harper, New York, 1951.

<sup>4</sup> William H. Whyte, Jr., "Groupthink," *Fortune*, 45 (March, 1952) 142.

<sup>5</sup> Reinhard Bendix and Lloyd H. Fisher, "The Perspectives of Elton Mayo," *Review of Economics and Statistics*, 31 (November, 1949) 312-319; cf. also: Wilbert E. Moore, "Current Issues in Industrial Sociology," *American Sociological Review*, 12 (December, 1947) 651-657; Harold L. Sheppard, "The Treatment of Unionism in 'Managerial Sociology,'" *Ibid.*, 14 (April, 1949) 310-313; C. Wright Mills, "The Contributions of Sociology to Studies of Industrial Relations," *Proceedings of the First Annual Meeting, Industrial Relations Research Association*, Champaign, Ill., 1949, pp. 199-222; Joseph P. Fitzpatrick, "Industrial Sociology: Contribution and Confusions," *The American Catholic Sociological Review*, 12 (October, 1951) 138-147.

<sup>6</sup> John T. Dunlop, "Framework for the Analysis of Industrial Relations," *Industrial and Labor Relations Review*, 3 (April, 1950) 383-393.

<sup>7</sup> *Ibid.*, p. 386.

system of communications is only one of the variables in the complex, dynamic process to be analyzed.

### Conflicts Ignored

Fundamentally, the failure to recognize that organized management and organized labor may not share common goals limits the "human relations" approach to industrial relations. There is constant stress on mutual understanding and cooperation, but nowhere do we find answers to the critical questions: Cooperation for what? In whose interests? With what rewards and powers assigned to the cooperators?<sup>8</sup> Indeed, as Moore points out,

much of the research into the social factors in industrial relations has been explicitly designed to avoid industrial disputes, to improve morale, and to enhance productivity, but without attention either to the differing interests and definitions of problems internal to the productive enterprise or to the fact that the factory as a social system or production as a goal are neither isolated nor paramount in society as a whole.<sup>9</sup>

Those who would analyze industrial relations through the study of the individual enterprise are following in the footsteps of the "human relations" advocates. For example, this latter group feels that one can understand institutional relations by examining the nature of the face-to-face interaction of individuals representing the institutions. Those who would start with the individual enterprise seem to share this view, although there is no basis in fact for the assumption that if you study small groups you will be able to understand more complex organizations. As we have indicated, interactions between individuals and small groups on a face-to-face basis are qualitatively different from those between individuals as members of complex, highly organized groups.

<sup>8</sup> Wilbert E. Moore, *Industrial Relations and the Social Order*,<sup>10</sup> Macmillan, New York, 1951, p. 199-200.

<sup>9</sup> *Ibid.*, p. 199.

Further, the human relations advocates analyze interaction in the plant as if they were unaware that the essential character of contemporary labor-management relations is that they develop between organized groups. Individuals engaged in collective bargaining are representatives of their respective groups and, consequently, are subjected to manifold pressures from within and from without their groups. The advocates of individual enterprise solutions will find it difficult to avoid the same limitation in their approach.

### Must Consider Groups

Once it is admitted that the interests of labor and management are not necessarily complementary, it follows that one can come to grips with the essential character of labor-management relations not at the individual enterprise level but at the level where interaction primarily takes place, namely, between highly organized and complex groups whose realm of operation is not circumscribed by the individual enterprise.

\* \* \*

However, the limitations of the individual-enterprise approach to industrial relations should not blind us to the very real contributions that it can make. Just as the "human relations" approach, with its emphasis on psychological problems, has opened up a whole new field of research, so the analysis of the individual enterprise can develop valuable insights into the ways in which men cooperate in the productive process. It seems to us that the whole problem of the locus of industrial relations has been obscured in the past by the acceptance of a false dichotomy between the individual enterprise and the labor-management organizations participating in the collective bargaining process. An "either-or" attitude has made the advocates of each approach somewhat neglectful of the very real contributions which each is capable of making.

It may clarify our thinking on this point if we investigate what possibilities are open to the student of industrial relations at the various levels. If we start with the individual enterprise, the following approaches are possible. The enterprise can be considered as a relatively "closed" institution organized for the production of goods. Viewed as an institution in which many individuals holding different statuses and fulfilling diverse roles cooperate to achieve clearly defined goals, the individual enterprise will be found to give rise to a series of social problems specifically its own. To a certain degree, these problems are relatively independent of the wider economic system which surrounds the enterprise. They are problems indigenous to any institution in which individuals must be organized for the achievement of specific goals. In this sense, these problems will arise at the enterprise level in a communist, socialist, or "free enterprise" society. Basically, their analysis and solution will consist in discovering how and why men cooperate. The task here is the analysis of the patterns of individual interaction within an organized group.

### Many Rich Insights

At this level of investigation industrial sociologists have made some excellent contributions. They have underlined the importance of informal groups within the framework of the formal structure. They have emphasized the importance of open channels of communication up and down the "line." Following the lead of Max Weber, they have carried their investigations of formal structure well beyond his ideal type of the bureaucratic form of administration.<sup>10</sup> Indeed, given the present state of individual organization, the

study of these organizations as bureaucracies appears particularly apt and fruitful.<sup>11</sup>

But can we really come to grips with the basic problems of industrial society by following these leads? It seems to us that such studies will result in improved personnel policies and consequently, in higher production and improved worker morale. However, the basic problems created by the destruction of the skill hierarchy and blocked mobility are not being faced by present trends in personnel policies. It is difficult to see how the present stress on "cooperative sentiments," "adaptation" and "techniques" of human relations can restore to the worker the status and social function of which technological and organizational exigencies deprive him.

### Depends on Attitude

Finally, there is the problem of interaction between organized groups. As we have indicated, this cannot be understood by generalizing from the patterns of interaction between individuals or small groups. Hence, the study of the individual enterprise will not be of much assistance here. In fact, relationships between worker and management at the enterprise level will be colored by the type of interaction which takes place between the representatives of the organized groups of which they are members. It follows that the crucial problems of labor-management relations must be studied on the inter-organizational level where they exist.

<sup>10</sup>For the most significant of Weber's observations, cf. Hans H. Gerth and C. Wright Mills, *From Max Weber: Essays in Sociology*, Oxford University Press, New York, 1946, pp. 196-244.

<sup>11</sup>Cf. Marshall E. Dimock and Howard K. Hyde, "Bureaucracy and Trusteeship in Large Corporations," United States Congress, Temporary National Economic Committee, *Investigation of Concentration of Economic Power*, Monograph No. 11, Washington: U. S. Government Printing Office, 1940, Part II, "Causes and Manifestations of Bureaucracy;" Robert K. Merton, "Bureaucratic Structure and Personality," *Social Forces*, 18 (May, 1940) 560-568; Moore, *op. cit.*, pp. 84-97.

It may be well to add here, for purposes of clarification, that if one starts with the individual enterprise and views it as a "closed" institution with clearly defined goals, then there can be little real conflict of interests between workers and management, and the primary obstacle to cooperation can only be lack of mutual understanding probably created by blockage of communication. On the other hand, if the enterprise is viewed as a structure in which two large, highly organized groups must cooperate, a different picture arises. Organized labor and organized management do not have identical interests nor is the solution of their differences circumscribed within the enterprise. The essential relationships between organized labor and organized management involve power and its use. No meaningful study of contemporary industrial relations can fail to take this into account, yet the conceptual framework of those who advocate the individual

enterprise approach does not include it. This approach is not equipped to study the problem of the social accommodation of conflict groups who consciously manipulate power in the attainment of their ends.

To conclude, therefore, it seems to us that the individual-enterprise approach to industrial relations has serious limitations. It displays an insufficient awareness of the institutional and technological exigencies of contemporary large-scale organizations. It is questionable whether it can deal with the critical problems consequent on the destruction of the skill hierarchy and the blockage of mobility. In insisting on the individual enterprise as the locus of investigation, it excludes the study of inter-organizational relationships at the level where they must be analyzed. On the other hand, the individual-enterprise approach can make real contributions to the understanding of teamwork and cooperation between those engaged in a common endeavor.

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### The Human Factor

You can buy a man's time, you can buy a man's physical presence at a given place; you can even buy a measured number of skilled muscular motions per hour or day. But you cannot buy enthusiasm; you cannot buy initiative; you cannot buy loyalty; you cannot buy the devotion of hearts, minds, and souls. You have to earn these things.

It is ironic that Americans—the most advanced people technically, mechanically and industrially—should have waited until a comparatively recent period to inquire into the most promising single source of productivity: namely, the human will to work. It is hopeful, on the other hand, that the search is now under way.

CLARENCE FRANCIS

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Both union leaders and businessmen should overcome their misgivings about cooperation and develop the large areas of common interests hitherto neglected.

# TOWARDS COOPERATION

*Collective Bargaining's Future Rests With Cooperation*

LEO C. BROWN, S.J.

Institute of Social Order

**T**HIS paper will make four points: 1. there exists a community of interests between an employer and his workmen at least as important as the obvious and readily admitted diversity of interest; 2. collective bargaining, as presently practiced, emphasizes the diversity but obscures this community of interests; 3. obstacles to labor-management cooperation rise not only from present institutional structures and attitudes but from the fear of both unions and corporations that ventures into cooperation may fail—and equally from fear that they may succeed; 4. upon our success in finding a method of making cooperation an effective principle of socio-economic organization rests the future of genuine collective bargaining.

Some social scientists are reluctant to admit any community of interests between workmen and employers. For them such an admission is evidence of innocence about the harsh realities of economic life. However, many clear-sighted realists see this community of interest. John L. Lewis has tersely said, "Bankrupt companies do not provide good jobs." President William Green of the A.F. of L. expressed the same idea: "We know that success for us must come out of the success of industry; the greater the earnings of industry, the greater the benefits we enjoy." Pius

XII used a metaphor: employers and workers "eat, so to speak, at the same table."

## Interests Not Identical

The assertion of common interests between owners and employees does not mean that they have identical interests. Obviously, wages are costs for the employer. They are income for employees. To the extent that the gross income of a business for any period is fixed, the higher the wage cost, the lower must be the owner's profit. Conversely, the larger the owner's share, the lower wages must be. But the size of the shares depends both on the fractions allotted and the size of the pie being cut. The pie can be made larger. Production of a working force using the same equipment and amount of materials is widely variable. Consequently, even when we think of the individual enterprise (abstracting from the mutual interdependence of owners and workmen, of enterprise and industry, of industry and other industries within the social economy) there is a clear common interest in the survival of the enterprise and its prosperity.

Anyone who has dealt with employees of a company on the verge of bankruptcy gains a clear insight into the workers' stake in the survival of the enterprise. Ordinarily, we easily

assume that workers are free to quit an employer and find work elsewhere. For individual workers this normally is the case. But fairly large groups of workmen cannot readily find other employment.

This fact is no better illustrated than by a strike involving a large company. We usually talk as though the employer and the union were free to agree or to continue in disagreement. But the employer of any large group of employees must, in the final analysis, come to terms with his workmen. The future of his investment is in their hands. Where, for instance, would Ford find 100,000 skilled and semi-skilled employees to replace its workforce? And the striking employees, in the final analysis, must come to terms with their employer. Their future is closely linked with the company. Where could the 100,000 employees of Ford find jobs? How soon would they find them?

### Mutual Dependence

These common interests are realities which do not become unimportant merely because they are obvious.

Unfortunately the environment in which modern industrial society evolved has developed institutions which distort the basic nature of the association of labor and capital and which obscure both the fact and the significance of this community of interest. The relationship between employer and employee is basically contractual; but it is a labor agreement, not a commercial contract.

Because we speak of contracting for the purchase and sale of labor, we are inclined to think of the labor relation as a mere exchange, no less incidental and transitory than the purchase of a necktie or a ride on a streetcar. In such incidental commercial transactions the immediate economic considerations of price and quality, of the *quid pro quo* are paramount. But the labor contract normally is not a contract of mere ex-

change, a giving and taking, completed in a point of time. It is a contract of continuing association in a cooperative productive activity. It is renewable at stated intervals, and the terms under which it may be renewed are in large degree dependent upon the success of the cooperative activity itself—that is upon the success of the business. Thinking of the employment relationship as a mere exchange focuses exclusive attention on the economic aspect of the relationship where the interests of employer and employees diverge. It leads to the neglect of the cooperative aspect of the productive processes upon which the income of both employer and employee depends, where interests in large measure are common.

### No Cooperative Institution

Trade unions grew up alongside monarchial industrialism which, with a benign paternalism, treated workmen as minors in industry and often exploited them—in both cases denying them active voice in the terms of their employment. Because unions developed precisely to give workmen voice in the determination of conditions of employment, they became contract-minded. Because they had to make their way against violent opposition, they became militant. The bitterness of this historic struggle led unions to assert a claim to the undivided loyalty of the workforce, and victory in contests for the loyalty of employees has overwhelmingly been with the union.

The result is that the contact of the employer with his workforce as an organic group has been largely confined to the area of dominant union interest, that is, to the determination of terms of the labor agreement. And, as we have said, this is precisely the area where the interests of the parties diverge. Apart from occasional exceptions, no similar agency exists for the development and exploitation of labor-management common interests.

## Benefits Obvious

The proposition that genuine union-management cooperation yields important joint benefits needs little demonstration.<sup>1</sup> Yet labor-management cooperation remains an oddity in industrial relations, and this not merely because of the difficulties in achieving cooperation. The plain truth is that *cooperation has rarely been sought by management or labor.* Many of the most effective examples of cooperation were prompted by the imminence of economic disaster—the threat of bankruptcy and unemployment—rather than by the prospect of larger wages or profits.

Representative unions both of the A.F. of L. and C.I.O. at one time or other have advocated or experimented with union-management cooperation. As early as 1918 the Executive Council of the A.F. of L. at its annual convention in St. Paul was sponsoring union-management cooperation.<sup>2</sup> Again in 1927, citing the success of the Baltimore and Ohio plan,<sup>3</sup> the Federation offered such cooperation as its answer to the company union which was being energetically promoted at that time.

Spokesmen for the Federation asserted:

Many employers and much of the general public are beginning to see that the union is not simply a militant organization with no interest in work itself, but that in addition to its militant functions

the union is an agency through which workers can make their fullest contribution to industry and society...

The establishment of collective bargaining opens the way for sustained cooperative relations between management and workers. . . . These constructive activities are based upon a conception of the interdependence of all interests. . . . Workers cannot help themselves by injuring other legitimate interests in industry.<sup>4</sup>

## Proposals Decline

Again in 1930 during its organization drive in the South, the A.F. of L. sponsored union-management cooperation. Few companies accepted the offer, but it is noteworthy that the Federation, as its strength has grown in recent years, has shown no marked anxiety to urge cooperation.

Similarly in the organizational stages of the C.I.O., the Steelworkers union became an outstanding advocate of union-management cooperation. The cost-reducing features of programs they introduced kept alive several firms that otherwise would have failed. The president of one company publicly stated that he "would not sell his contract with the Steelworkers for a million dollars." Today, however, with the U.S.A. large and powerful, less is heard about cooperation.

The question needs to be asked: if cooperation can be so fruitful, why do not management and unions energetically insist upon its realization?

## Traditions of Conflict

We need to note that the institutional structures of the "power centers"<sup>5</sup>—managements and the unions which set

<sup>1</sup> See Neil Chamberlain, *Collective Bargaining*, McGraw-Hill, New York, 1951, p. 426ff.; Sumner H. Slichter, *Union Policies and Industrial Management*, Brookings Institute, Washington, 1941, CC. XIV-XIX. Also Joseph Shister, "Union-Management Cooperation: An Analysis," in R. A. Lester and J. H. Shister, eds., *Insights Into Labor Issues*, Macmillan, New York, 1948, pp. 87-115; Louis A. Wood, *Union-Management Cooperation on the Railroads*, Yale University Press, New Haven, 1931.

<sup>2</sup> See *American Federationist*, May, 1924, p. 401.

<sup>3</sup> See Slichter, *op. cit.*, p. 441ff.

<sup>4</sup> American Federation of Labor, *Report of Proceedings of the 47th Annual Convention* (1927), pp. 34-35, quoted in Neil Chamberlain, *op. cit.*, pp. 427-28.

<sup>5</sup> See Frederick H. Harbison and Robert Dubin, *Patterns of Union-Management Cooperation*, Science Research Associates, Chicago, 1947. Also, Joseph J. Spengler, "Power Blocs and the Function and Content of Economic Decision," *Industrial Relations Research Association*, Second Annual Meeting Proceedings, IRRA, Champaign, 1950, pp. 175-91.

the tone of collective bargaining for much of the economy, such as U.A.W. and G.M., U.S.A. and U.S. Steel—are not easily adapted to a program of cooperation. Many powerful American corporations were but recently proponents of a company union or "open-shop" policy and refused to bargain with "outside" unions. Tradition forms habits and shapes attitudes of institutions as of individuals. Habits become "second nature."

Authority in a large corporation is divided between many individuals, each sensitive to the criticism of his equals both within his corporation and in the larger business community. Deciding to abandon a policy of labor-union containment for one of cooperation needs the concurrence of the many executives within the corporation. Such concurrence is difficult. Only in extreme circumstances will men formed in a tradition of union containment risk loss of prestige within their circle by advocating or consenting to a policy of union cooperation.

### One Example

Take a typical case of a leading company in its industry. Its union demanded a union shop. The president of the company received letters from customers, suppliers and competitors urging him not to yield. Within his own company other executives counseled him to remain firm. When a strike occurred and losses mounted, some executives within the company began to ask whether the principle was worth its cost. Yet none would risk his future with the company or his prestige within the business community by urging the concession. Indeed, another executive stated his opinion that giving way would so have impaired the president's prestige that his resignation would have been inevitable. The strike was settled by a compromise, which stopped short of the union shop, but gave the union much of the security it sought. One of the president's first

concerns was to assure his correspondents that the company had held to its principles.

This reluctance of company executives to engage in union cooperation is not merely a question of prestige, however. They are answerable to the stockholders. A program which adheres to tradition is less open to attack from them than one which departs from it. There can be no assurance a program of union cooperation will succeed. And the innovator among company executives who attempts it and fails runs a disproportionate risk. This is perhaps an important reason why experiments with worker-employer cooperation are more common in owner-managed enterprises.

### Centralized Decision-Making

There are similar obstacles to cooperation on the union side. As unions grow, they tend to centralization. The more policy-making is centralized, the more difficult some forms of worker-company cooperation become.

I agree that the mutually exclusive choice between cooperation at the level of the enterprise and cooperation at the level of the industry is a false dichotomy. There is need for cooperation at both levels. The individual firm is confronted with many problems about which it, standing alone, can do nothing. In any thorough-going program of industrial cooperation there must be institutions which include not only the plant but the industry and are capable of going beyond one industry for interindustry cooperation. But it remains true that the primary contribution to cooperation which the individual worker can make occurs *within* the establishment. If the workman is to make that contribution, the union and employees at the plant level must enjoy considerable freedom in decision. Such local autonomy becomes increasingly difficult as the scope of the collective-bargaining agreement extends to more and more establish-

ments and as decision becomes more concentrated within a policy committee of the international union.

These obstacles to union cooperation related to the traditions and structures of the corporation and its companion union are unquestionably great. They are not insurmountable, neither are they decisive. Traditions can be changed; structures can be modified, if there exists the will to change.

The serious obstacle to cooperation is fear.

### **Labor's Fears**

Today every union is exposed to competitive bidding for its members by other unions. At all times a union executive must contend with some dissatisfied members. In launching a program of cooperation, he runs the risk of increasing dissatisfaction. To the extent that cooperation is cost-reducing, it may eliminate jobs. The labor leader may point out that lower costs will produce greater sales and more jobs. But the rank-and-file worker makes no act of faith in economic theory.

The official may argue that management, alert to cost-reducing methods, could have introduced the innovation independently, that it is better for the union and management cooperatively to plan introduction of innovations so that the interests of affected workers are fully protected. Such arguments are likely to avail little unless the program of cooperation quickly leads to stabilized employment and increased income.

So apprehensive are union officials about job insecurity which the worker fears in union-management cooperation that most of them oppose it. Recently this writer interviewed union officials in several large cities about such cooperation. The answer of one is characteristic: "Union-management cooperation is a good way of cooperating with the union that wants your members."

MAY, 1952

### **Fear Union's Decline**

Moreover, unions want the unswerving loyalty of their membership. Union officials fear that, if cooperation succeeds, members may become more interested in the company than in the union. Some members may ask whether the union is at all necessary.

Unions might well put more faith in their own repeated assertion that sustained cooperation is impossible without a strong union. No matter how effective cooperation becomes, individual grievances will arise and must be disposed of through institutions which the worker regards as his own. Moreover, individual workmen will contribute their ingenuity to cost-reducing programs only when they are fully assured that their interests in the job and in the benefits of increased productivity are adequately safeguarded. And, normally, the only safeguard to which the worker will give full confidence is his own organization. In a program of cooperation unionism's emphasis might change, but the union will remain essential to industrial structure.

### **Management's Fears**

Management's fears of cooperation trace to apprehension about its narrowing authority. The President's Labor-Management Conference in 1945 split over what constitutes the inherent rights and responsibilities of management. Union representatives readily conceded that "the functions and responsibilities of management must be preserved if business and industry is to be efficient, progressive and provide more jobs." But they would not specify the functions and responsibilities of management. They said:

It would be extremely unwise to build a fence around the rights and responsibilities of management on the one hand and the unions on the other. The experience of many years shows that, with the growth of mutual understanding, the responsibilities of one of the parties today may well

become the joint responsibility of both parties tomorrow.<sup>6</sup>

### Growth of Bargaining

Since this conference, management's concern about its authority has increased. It is obliged by law to bargain about wages, hours and the terms and conditions of employment. "Wages" has expanded to include paid vacations, paid holidays, separation pay, sick leave, medical benefits and pensions. These management had regarded as gratuities to be granted or withheld at will.

The term, "conditions of employment," a few years ago included matters such as seniority, promotion and dismissal practices, rest periods and safety—working conditions which affect physical environment. Today it includes elements which affect job security. Whether certain kinds of work may be sent to a subcontractor or must be done in the employer's own shop, is a matter for collective bargaining. Tomorrow contracts may include, as matter for agreement between the company and the union, the closing-down of a plant, the prices at which commodities will be sold, adoption or abandonment of lines of products.

Faced with this narrowing area of unilateral decision, managements do not welcome union cooperation. Such co-operation requires some discussion of problems, programs and policies. Managements fear that the area of discussion will widen, that informal discussion will lead to a formal sharing of authority and that the union will enter the sphere of management.

### Trend Will Continue

Management also might profitably take a fuller view of the situation. Unions are determined to bargain about

all matters which they regard as important to their members' interests. The scope of the contract will expand whether unions or managements co-operate or not. Managements might well consider whether it is better that questions be resolved in an atmosphere of collective bargaining, where the parties take sides, and problems become issues of prestige and power; or that questions be discussed in an atmosphere in which they are treated as problems in which two interests are at stake, both of which must be preserved.

The former leads to the wastes of conflict. The latter calls upon the collective experience and constructive imagination of the cooperative association to devise solutions which protect all interests. The process may use compromise; frequently it leads to invention.<sup>7</sup> New solutions are found in which interests are not merely saved but advanced. Nothing in the experience of enterprises which have achieved this cooperation points to any depreciation of managerial authority.

### Question of Freedom

Devising a socio-economic structure in which the constructive and cohesive forces of common interests can effectively operate is not of merely academic interest. It is a matter in which we must succeed if the freedom which unions and corporations now enjoy is to be preserved.

Today the railroads are under army control and the steel industry is in the hands of the federal government. Conflict between power centers in basic industries so vitally affect the public interest that open conflict in the form of prolonged strikes will not be tolerated. We have now a thinly disguised system of compulsory arbitration for

<sup>6</sup> See U. S. Department of Labor, Bureau of Labor Standards, Bulletin No. 77, *The President's National Labor-Management Conference*, November 5-30, 1945, Summary of Committee Report, Washington, 1946, p. 57.

<sup>7</sup> Mary Parker Follett calls this process "integration." See *Dynamic Administration*, "Constructive Conflict," Harper, New York, 1940.

such conflicts. There is need to ask how long it will be before compulsory federal arbitration becomes formalized.

Nor does this question concern large industry and big labor only. Today the collective-bargaining agreement of U. S. Steel sets a pattern which runs through countless agreements. When the government arbitrates agreements in basic industry, it indirectly begins to determine the terms of employment in major sections of the economy. Under such a system the unions can survive, but it is worth

asking whether they will be economic entities or political parties. The private corporation can survive. But it is worth asking how federal arbitration awards will be made and enforced and what may happen to managerial "privileges" in the process.

Nothing is gained by underestimating the difficulties of capitalizing the creative and constructive forces of the community of interests of workmen and employers. Much will be lost by denying that these common interests exist and by refusing to build upon them.



### Area of Socio-Economic Reform

We can no longer ignore the changes by which our glorious predecessor, Pius XI's, words of high wisdom have been distorted by placing emphasis and importance, as a social program of the Church for our times, upon a remark that is quite accessory to the subject of the eventual legal changes in relations between workers, who are the subjects of a labor contract, and the other contracting party.

On the other hand, the principal part of the encyclical *Quadragesimo Anno*, which in reality contains this program, that is, the idea of the corporate professional order of the whole economy, has been passed over more or less in silence.

Those who undertake to handle problems concerning the reform of enterprise structure without realizing that each business is, by its very purpose, closely linked with the whole national economy run the risk of establishing false and erroneous premises to the detriment of the whole social economy.

PIUS XII

*The existence of our national trade-union bodies, with objectives transcending individual enterprises, is a major obstacle to plant-level solution of industrial problems.*

# UNIONS VS. ENTERPRISE PEACE

## *Some Obstacles to Humane Industrial Relations*

CORNELIUS A. ELLER, S.J.

Institute of Social Order

**I**N THIS series of discussions we are facing up to the question: Can co-operation between labor and management on the enterprise level provide any or all of the material and spiritual satisfactions which employees seek?

Implicit in this question is the supposition that the managers and the employees of the enterprise can act independently of the rest of labor and management. In other words, it is supposed that the Black Diamond Coal Co. and their employees, to use an example, could negotiate for the establishment of such a set of satisfaction-giving relationships between themselves, tailored to their own peculiar circumstances, without let or hindrance, dictation or pressure from either the operators' association or the United Mine Workers of America.

### **Is Progress Possible?**

The issue, then, is whether the basic labor-management problems of the United States today can be solved on the enterprise level in whole or in substantial part—and in any real sense. We must insist that the problems considered be basic ones, for only these are of any significance. The rest are peripheral, and it does not matter a great deal on what level they are solved. The process of solution on the enterprise level must be a genuine one, not motions and speech of a ventriloquist's dummy.

Now we can put the issue more concretely: Can any integrated part of the management of an industry, independently of the rest of management in the same industry, work out with the corresponding part of the employees of that industry, independently of the rest of the employees of the same, solutions to questions of wage rates and structure, employee participation in profits, employee participation in management, management powers over employees, the resolution of significant disputes between management and employees and other matters of equal importance? Or, conditions in American industry being what they are today, must we reject such a picture of decentralization as unrealistic and accept industry-wide solutions of these basic questions as inevitable?

### **Question of Unions**

If we restrict our inquiry to employees affiliated with a national union, the question, on the employee side, reduces itself to one of the relationship between the national union and its constituent locals; on the management side, it is a question of the relationship between the trade association and its members, or between a corporation and its parts or subsidiaries. How much scope for independent action and negotiation in labor-management matters

is there on the enterprise level? A further question would be, How much scope should there be? The principle of subsidiarity requires that there be as much as possible. But what is this possibility? Does it refer to an ideal situation or to the actual situation in which we find ourselves? Let us confine ourselves to actualities here.

Let us consider certain obstacles to solutions on the enterprise level which arise from the fact that the employees of the enterprise are members of a national union whose membership is considerably wider than the employee roster of the enterprise.

### Growing Centralization

The first obstacle is a strong historical trend. The central organization of national trade unions has been steadily growing in power and importance, whereas the autonomous sphere of the local unions has been shrinking correspondingly. The locals' freedom of action has been progressively limited, and it does not appear that this trend has yet run its full course. In this respect the trade unions resemble other social institutions. The degree of centralization is not the same in all unions, but the trend toward greater centralization of control is universally discernible in the trade union movement. This trend was set in motion by the changing economic and social forces which constitute a part of the environment in which unions must operate. Consequently, the benefiting unions have accepted this trend readily.

One can unearth many indications of this trend. For example, in 1913 only 22 per cent of the unions had provisions for exercising control over strikes from the central office of the International, whereas in 1945, 51 per cent had such provisions.<sup>1</sup> In these instances national officers must approve of strike

action on the part of the local. In some unions, such as the musicians and the lathers, the national president may call a local out on strike when he deems it necessary. Many other unions invest their national officers with similar powers over their locals. The trend toward centralization is also clearly seen in nationally established admission policies. Finally, collective bargaining is being carried on more and more, either directly or indirectly, by the national officers of the unions. Uniformity in labor-management contracts in any given industry is becoming ever more perfect.

### Affects Plant Solutions

There are good reasons for the growth of centralization, but it is not our purpose to discuss them here. We merely wish to point out that any attempt to solve labor-management problems on the enterprise level must encounter and turn back this well defined trend toward administrative unity and uniformity of policy in national unions. This is a fact. This consideration, then, throws serious doubt on the ability of workers to order their relations with their employer in any significant way independently of the national labor organization of which we supposed them to be members.

Centralization of control over trade-union policies has been notably promoted and accelerated by the growth of governmental regulation of trade-union activities. This is quite understandable. The national officers of the union are far better equipped to deal with the lawyers and statisticians of a governmental board than are the local officers. Moreover, it is far more economical to conduct business before governmental boards in this way. Finally, when a governmental policy applies uniformly to all the members of a group it is only natural that they should react to it as a group and attempt to meet it with a unified policy.

<sup>1</sup> Joseph Shister, *Economics of the Labor Market*, J. B. Lippincott Co., New York, n. d., p. 90.

### Growth of Patterns

It has been clear for some time that a new method has been evolved for determining the contractual relations between employers and employees. This latest fashion in labor-management relations has not yet been given a name, but it might be tentatively dubbed the "pattern approach." A contract is formulated in negotiations between one of the more important national unions and a major industry or employer in an industry. This contract then becomes the pattern for contracts in the rest of the industry and occasionally in other industries as well. Everybody follows the leader, and if a labor leader wants to make the headlines of the newspapers he will do even better for his union than the pattern contract would achieve. The pattern contract thus becomes both a target and a record to be bettered. When the stakes are as big as this, the top labor leaders will do the competing, not the little fellows down in the locals. National prestige is involved here—even international recognition—and political power in the trade union movement. In this development we perceive another big step toward complete trade-union centralization and away from local self-determination.

These are but a few of the currents which we detect in the stream of trade unionism, and they are all moving in the same direction, i.e., towards expansion of the powers and influence of the national officers of the unions at the expense of local and regional independence, self-determination and differentiation. More and more we find that our unions are big, unified, tightly-knit national organizations following uniform policies in all their constituent parts. The days of the loose confederations of independent-minded locals are but a fading memory. We do not here pass judgment on this trend. We merely wish to point out that it stands in the way of any plan to promote the solu-

tion of labor-management problems at the grass roots level, as it were.

### Leaders Set Objectives

In treating of labor-management cooperation we must sedulously avoid the pitfalls of a chintzy romanticism. Realism is a far more serviceable tool of analysis. People speak of the objectives of trade unionism. But really the only objectives that count are those of the trade-union practitioners, i.e., those who work professionally at trade unionism. They are the men who guide trade-union action. Their objectives are the only ones that need to be considered in any discussion of labor-management cooperation. Do their objectives clash with the programs of reform?

Undoubtedly there are dedicated and self-effacing men in the trade-union movement, but to assume that disinterested motives predominate would be naive. The laws of bureaucracy apply to trade unionism as they do to other large and proliferating organizations. In every bureaucracy there is a tendency toward centralization of control. The bureaucrats desire to extend their domain. If local unions are given more freedom, the national offices lose some of their importance; the whole organization becomes looser and the national officers lose their influence in the labor movement which derives from tightly-held power over a large, closely-knit organization. To maintain a tight grip on a union the national officers must keep all lesser officers dependent upon them and must prevent them from gaining the strength which derives from accomplishing notable victories for the workers. Powerful satraps are not wanted in a trade union.

### Union Welfare Paramount

The trade union has an existence which is wider than that of the single enterprise and, consequently, the set of relationships which is established between any part of the union and a single

enterprise must be subordinated to the existence and welfare of the union as a whole and of other parts of it. Thus a wage rate which might be quite necessary for the welfare of a single enterprise might undermine the rate elsewhere in the industry. Will the national union allow the local to contract for the lower rate? Hardly. It would sacrifice a part of the union and industry for the good of the rest of the union, if necessary.

Most clauses in a labor-management contract cost the management money, and when all the enterprises of an industry are selling their products in the same markets it is usually necessary to make the provisions of the contracts pretty standard for the whole industry. Hence, there must be a national policy administered from the top office. All union policies are not designed for the best interests of all the members. There are divergent interests in every large union just as there are in society at large. Moreover, there is a political struggle among the various interests for control of the union.

A cardinal point to bear in mind is that a trade union has an existence of its own quite distinct from that of any given enterprise. Their ends are quite different. Their interests do not coincide, though they may have a few points in common. To what extent can such organizations cooperate on a permanent basis? Whose interests are they going to work together to promote? Many of their interests are opposed to one another. Note that we are distinguishing between union and the employees of the enterprise.

### Matters of Conflict

Catholic writers always dilate on the community of interest shared by management and workers. That may be very true if you restrict the term workers to employees of the enterprise and prescind from their membership in a national union. There may be many matters

about which employees and management can cooperate, but can one expect the union and the management to cooperate in the same matters? This is an important distinction which Catholic writers seem to lose sight of. The community of interest existing between employees and management is not necessarily also a community of interest existing between the union and the management.

Much present-day discussion of labor-management relations seems to ignore the fact that, under the cover, a trade union is a fighting machine. It may not always be employed for combat. But it is always at least a silent threat which elicits respect and engenders the desire for peace. There is a tendency to stress the interests which management and workers have in common at the expense of overlooking their many conflicting interests. Unions are primarily opposition forces. Their primary reason for existence is to exert pressure on employers for the advantage of the workers and the welfare of the union as a whole. If this is not their purpose, then there seems to be no reason for the existence of any kind of unions except company unions.

### Conflict Precludes Cooperation

There would be a place for workers' educational, political and social associations on a national scale but not for associations organized to negotiate with employers. Bargaining exists only where there is opposition of interests, and the union is primarily a bargaining agent, with a mailed fist 'neath the velvet glove.

Since the union is primarily an opposition force, this writer believes that existing trade unions cannot be integrated with management for common purposes on a permanent basis. Temporary cooperation is, of course, possible. Permanent integration would require a radical change in the character of the trade union. It would have to cease to be what it is. Individual workers, of

course, can be integrated into common permanent organizations with management, but the workers organized in existing trade unions cannot be so integrated.

The conclusion to be drawn from this discussion is that any program for co-operation and integration which overlooks the consequences of membership in a national trade union is not likely to succeed. It fails to take into ac-

count a major obstacle. This does not mean that cooperation on numerous small matters is impossible, but it does mean that cooperation in matters where autonomy really counts will be practically impossible in most cases on the enterprise level.

We have treated only of certain obstacles on the employee side. There are also obstacles on management's side, which we shall not discuss here.

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Impartial observers of the American union are far from condemning this institution, says Father Gavin, in a brief sketch which aims to show union aids to the enterprise.

# UNION: ASSET OF ENTERPRISE

*Close Look Reveals Many Positive Contributions*

MORTIMER H. GAVIN, S.J.  
Institute of Social Order

**C**OMPETENT and careful students differ considerably from the uninformed public in their judgment on unions. Slanted reporting and propaganda have kept the lay mind too little aware of the constructive contributions of the union; but they do not distort the investigation and conclusions of the experts.

## Substantial Soundness

Those devoted to full-time study of the union almost universally voice a verdict of commendation and qualified optimism. Out of their scholarship, active field work and participation as consultants and arbitrators, they show a general unanimity on the substantial soundness and accomplishments of American labor organizations.<sup>1</sup> Yet a distinct group of scholars, the theoretical economists whose principal work lies in abstract analysis, have expressed views less laudatory and less confident.<sup>2</sup>

<sup>1</sup> The list would include Slichter, Dunlop, Millis and Montgomery, Reynolds, Neil Chamberlain, Kerr, Bakke, Taft, Bloom and Northrup, Phelps, Lester, Harbison, Yoder, Shister, Daugherty, Davey, Randle, Ross, Glenn Miller, Myers and others.

<sup>2</sup> Simons, Lindblom, Bronfenbrenner, Reder hold extreme positions. Haberler, Frank Knight, E. H. Chamberlin, Friedman, David McCord Wright are a little less critical. Boulding, Samuelson, J. M. Clark have milder doubts. For the latter two groups, see *The Impact of the Union*, edited by David McCord Wright, Harcourt, Brace and Company, New York, 1951.

The more rigorous of the theorists would at least circumscribe the area of union activity, if not abolish unions entirely, in the conviction that they constitute a harmful interference with the free workings of the classical ideal of competitive market forces and the price mechanism.

This article frankly proposes to tot up some of the union's contributions toward the competence of the enterprise. There are, indeed, many areas where such contributions fuse with those of other factors—employer attitudes, improved management, high employment, prosperous economic conditions, advances in technology—although it is difficult to determine with certitude what effects are due to unions alone. Yet we can list many identifiable union contributions.

## "Unions and Unions"

We recognize the difficulty of discussing unions in the mass. Great differences exist among the more than 200 national unions and their thousands of locals. The differences forbid either blanket approval or loose and querulous condemnation. "There are unions and unions."<sup>3</sup> It is upon the recognized characteristics of the generality of American labor unions that we base our conclusions here.

Our frame of reference is the "competence" of the enterprise in satisfying

<sup>3</sup> Attributed to the late Harry A. Millis.

certain expectations (goals) of workers, owners and managers, on the one hand, and of society, on the other. For the participants, the enterprise is competent when it supplies a secure and improvable level of physical comfort equal to that enjoyed by the most fortunate of their customary associates. Concomitantly, the enterprise is expected to provide for the participants certain spiritual goods—respect of fellows, self-realization and self-sufficiency. For society, it will produce the goods needed, in adequate quantities, at low prices which cover not only direct monetary costs but the social costs as well.

### Level of Comfort

One prime goal of union policy has always been to establish basic minima of real wages and to apply them as universally as circumstances and bargaining power would permit. Real wages determine the level of physical comfort for the recipients. For their own members directly—and for all workers indirectly—unions seek the highest return in real wages consistent with the condition of the business and the general state of economic activity. The American labor movement has striven to win in each enterprise the largest economic benefits consistent with continued employment of the workers and stability for the business.

### Spur to Efficiency

Constant driving for higher wages has perhaps pushed some marginal enterprises to the wall. At any rate, there are a few firms which in closing down have issued statements blaming union labor-costs for their failure. It is fair to wonder how many of these failures are due to managerial laziness, weariness or incompetence.<sup>4</sup>

The preponderant evidence shows that the union has helped most com-

<sup>4</sup> Cf. Pope Pius XI, in the encyclical *On Reconstructing the Social Order*, 1931: "If, however, a business makes too little money, because of lack of energy or lack of initiative or because of indifference to

panies. The push for greater benefits has stimulated improvements. It has alerted managements to loose costing, to wastes and inefficiencies. It has forced the search for better techniques and newer equipment. It has brought rationalization to whole industries, such as the needles trades. It has saved tottering employers, as in the engineering services and counsel of the International Ladies Garment Workers, the Amalgamated Clothing Workers, the Steelworkers. A very recent example was the cooperative effort of the packing-house workers in Detroit.

### Basic Security

Perhaps more important than the level of employee income is the security with which it is held by the ordinary employee today. As for the precise influence of unions upon the level of real wages and as for the long-run advantage of unionized as against non-unionized industry real-wage improvements, there is serious dispute among students.<sup>5</sup> But freedom from discrimination and arbitrary demotion or discharge is an unquestioned accomplishment of unionism. It is one of the most prized gains of the union worker. Pro-

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technical and economic progress, that must not be regarded as a just reason for reducing the compensation of the workers . . . If, however, matters come to an extreme crisis, it must be finally considered whether the business can continue or the workers are to be cared for in some other way." (Nos. 72, 73)

<sup>5</sup> The present Senator from Illinois, Paul H. Douglas, made the pioneer studies in this field in the United States. See his *Real Wages in the United States, 1890-1926*, Houghton Mifflin Company, Boston, 1930; and the same author's *The Theory of Wages*, Macmillan Company, New York, 1934. Also Arthur M. Ross, *Trade Union Wage Policy*, University of California Press, Berkeley, 1948, especially Chapter VI; Arthur M. Ross and William Goldner, "Forces Affecting the Inter-industry Wage Structure", *Quarterly Journal of Economics*, 64 (May, 1950) 254-281; Sidney C. Sufrin, *Union Wages and Labor's Earnings*, Syracuse University Press, Syracuse, 1950.

tection against the favoritism or whim of employers, ability to plan with assurance, to budget for the future with some confidence—these gains are almost entirely due to the coming of the union. Yet there remain other hazards: cycles and depressions, curtailed employment, lay-offs, discharges and consequent interruption of income.

Further provision for stability and security of income lies in the health and disability insurance, hospitalization and medical-care plans, pensions and other benefits. In large part they come because of pressure inaugurated by labor organization. Many managements were long reluctant to face the need until confronted with a vigorous, insistent union. These benefits, of course, did exist in some scattered companies, but widespread acceptance of them as a standard cost of production has come through union campaigning.

### Employer Gains

The above are gains for the workers. What of the owners and managers for whom also the enterprise must prove competent to provide secure level of physical comfort and possibility of improvement? Reports on income and dividend disbursements over the past decade (the years when unions gained the greatest advances for employees) show a relatively steady increase.<sup>6</sup> Korea and the foreign assistance programs have bitten deep into current income through extraordinary taxes on corporations and the higher salary brackets; but proportionate cuts have hit the worker's pay envelope as well.

Any assessment of union aims, gains and contributions must put great emphasis on non-economic factors. Neglect of the spiritual drives in worker motivation has been, and is now, responsible

<sup>6</sup> For example, U. S. Department of Commerce, *National Income and Product* (Supplement to *Survey of Current Business*), Washington, 1951, Tables 19 and 20, pp. 170-173.

for grave misjudgments in policy at the economic, political and legislative levels. It is probable that the drive for spiritual goods has made more union members than high wages and other economic ambitions ever have accomplished.<sup>7</sup>

### "Industrial Jurisprudence"

Respect for their dignity as human beings, status, the esteem of their fellow workers, opportunity for self-realization, development of capacities and personality, self-sufficiency, control over one's destiny, voice in decisions affecting workers' lives, active, intelligent participation in policy-making according to capacity and circumstances have constituted the major driving force in union activities. They explain much employer opposition and the struggle over management prerogatives and are the real cause of many work stoppages and grievances.

More than a decade ago Slichter opened his classic study of union policies and industrial management with a comment on "industrial jurisprudence":

Through the institution of the state, men devise schemes of positive law, construct administrative procedures for carrying them out and complement both statute law and administrative rule with a system of judicial review. Similarly, laboring men, through unions, formulate policies to which they give expression in the form of shop rules and which are embodied in agreements with employers or are accorded less formal recognition and assent by management; shop committees, grievance procedures and other means are evolved for applying these rules and policies; and rights and duties are claimed and recognized.<sup>8</sup>

### Accepted Ground Rules

Such developments introduce new confidence, dignity and spirit. They limit unregulated management disposition of workers, protect against discrimi-

<sup>7</sup> See Clinton S. Golden and Harold J. Ruttenberg, *The Dynamics of Industrial Democracy*, Harper & Brothers, New York, 1942, Chapter I.

<sup>8</sup> Sumner H. Slichter, *Union Policies and Industrial Management*, Brookings Institution, Washington, 1941, p. 1.

ination, undue work loads, unfair lay-off or discipline, arbitrary cancellation of established privilege. They guarantee respect for the worker's dignity as a person, recognition of his years of service, regard for his capacities in promotion, transfer and lay-off. They set up lines of communication and machinery for the presentation and prosecution of grievances without fear of rebuff or reprisal. "It must be remembered that industry produces men as well as goods and that the kind of men which a democratic community needs may not be produced in shops which are small oriental despotsms."<sup>10</sup> Without the union, the enterprise could be a despotism—even though a benevolent one.

Flowing from the workers' dignity as responsible collaborators in the enterprise, is the sense of "status." It is born of consciousness of one's worth and of the esteem and respect of one's fellows, in the work community and the civic community. Less definitely dependent upon the union, it is enhanced and guarded by the union.

### Helps Employer

How does the union contribute to the fuller self-realization of the manager or employer? Indirectly, but in many ways. Greater opportunity of expression and suggestion, greater scope for exercising intelligent judgment arise from the union's effort to create a freer atmosphere in the work-place. This redounds to the employer's benefit; it lightens his burdens, cuts his "headaches," allows greater concentration on major policy decisions. Wherever an advanced cooperation exists between management and union, wider range is given for application and use of talents and ingenuity.

Obviously, the employees who daily live with the problems of materials, layout, feeder-lines, processes and all the idiosyncrasies of equipment know better than management their potentialities

<sup>10</sup> *Ibid.*, p.5.

and their shortcomings. Their active, intelligent participation with management in many kinds of improvement becomes more likely and more easy through the union set-up.<sup>10</sup>

### Community Benefits

How does the union help satisfy the expectations of society? The community looks to the enterprise for the goods it needs, in adequate quantities, at low prices which cover direct and social costs. Here the whole team of enterprise must function together. The union may be a great asset or a liability.

A prime negative example is residential housing. Homes have been long ago priced out of reach of the average worker. New houses, exorbitantly priced, are small, unsuitable for normal family living or expansion. This condition is due to many factors: materials-supplier, land-owner, bank and loan association, property-holder league, contractor, politician, union.

Because residential housing is inadequate, the community pays in slums, vice and illness. Overcrowded families produce neuroses and tensions, abnormal recreations, a hundred evil consequences. How much responsibility lies upon the enterprises that should be producing decent homes in quantity at low prices? How much upon other outside groups? How much upon the building-trades unions? The guilt is difficult to measure or assess. Yet thoughtful observers may well question whether the building-trades unions contribute as they ought to the competence of this enterprise in the satisfaction of society's needs and expectations.

### Proper Perspective

But such practices are not universal, even in the building-trades. And these latter make up a small fraction of organized labor in America. With the other unions most frequently blamed

<sup>10</sup> Cf. Russell Davenport, "Enterprise for Everyman," *Fortune*, 41 (January, 1950) 55-59, 152, 157-159.

for uneconomic practices (the railroaders, the printing-trade and entertainment groups) they constitute not more than fifteen per cent of all organized workers. Allowing for many members working in areas and positions where such practices do not prevail, a fair estimate of the number of offending union members would be about seven per cent of the 16,000,000 organized workers of the United States. This estimate may be too high, but it would hardly satisfy many anti-union propagandists.

How does a union in an enterprise contribute to production of goods for society in adequate quantities at low prices? It keeps management alert and exerts pressure for ever better management practices. By removal of wage inequities, establishment of machinery for dispute settlement, insistence on better supervision, it stimulates more efficient operations. By equalizing labor-costs in the product market, it furnishes a sounder basis for wholesome competition.<sup>11</sup> By stabilizing wages, it makes for more orderly planning of costs and programs. By the collective labor agreement, it guards against work stoppages and interruptions of production. Order and stability in operations make for greater productivity, larger production and lower costs.

Most of these advantages *can*, indeed, be secured without a union. That they *would* be secured is highly improbable, as the historical record before unionization suggests.

### Greatest Achievement

Assuring the inclusion of social costs in the low price of the goods is perhaps the greatest achievement of the union in the enterprise. Granting uncertain-

ties which arise from the vagaries of the general economic system, the union still has brought relative stability and assurance of regular and predictable employment for the ordinary worker. This stability gives a peace which overflows from the enterprise into home and community. There is very little nostalgia for "the good old days" before the union.

The labor organization, moreover, cushions the shocks entailed in technological changes by insisting on orderly introduction of new machines, processes and products. It insists also that monetary savings to the enterprise must not involve disproportionate social costs in dislocation of workers, arbitrary dismissals or needless lay-offs. It refuses to allow the subsidizing of the consumer at the expense of the producing worker by the accomplishment of lower prices at the expense of unnecessary or inordinate hardship for the employee in the producing enterprise.

### Total Costs

To the newspaper columnist and the partisan propagandists, this union insistence is an "unreasonable bleeding of free enterprise." The record shows otherwise. That insistence has compelled the unwilling employer and has made it feasible for the willing one, to make clear provision for accident and injury compensation, hospital and medical care, sick leave, pensions, dismissal pay. All these devices transfer back to the product price—where it always belonged—that portion of the total cost of production which formerly had to be borne by the worker alone, by his relatives or friends or by the community. The society that wants the goods must stand ready to pay the whole cost of the goods.

Incorporation of social costs into the product price has been made possible largely by the union. True, some firms have long followed this policy; but before the rise of the union they were few. Pertinent here is the observation made in 1937 by Pope Pius XI:

<sup>11</sup> See Joseph Shister, "Trade Union Policies and Non-Market Values," *Proceedings of The Second Annual Meeting of the Industrial Relations Research Association*, December, 1949, Industrial Relations Research Association, Champaign, Illinois, 1950, pp. 85-99.

It happens all too frequently, however, under the salary system, that individual employers are helpless to ensure justice unless, with a view to its practice, they organize institutions the object of which is to prevent competition incompatible with fair treatment for the workers. Where this is true, it is the duty of contractors and employers to support and promote such necessary organizations as normal instruments enabling them to fulfill their obligations of justice.<sup>12</sup>

What employers as a group were unable or unwilling to do in their enterprises, the unions of the United States have urged them and have enabled them to do, in meeting social costs.

<sup>12</sup> *Divini Redemptoris (On Atheistic Communism)*, n. 53.

We have been somewhat selective and therefore partial in listing union contributions. This article has emphasized the positive contributions of the union to the enterprise. The gains far outweigh the losses. Moreover, many of the "losses" are merely fallings-short of an ideal equilibrium allocation of resources as conceived by the theorist in competitive economic analysis.

This latter position assumes that competitive equilibrium and the maximum production of physical goods and services is the most important goal of society. But such a goal is not the only one that society has to consider. There are other values beyond the material and the purely economic.

## Sense of Community

What remains of freedom and security in these days has to be purchased at a great price, and part of this price has to be paid by each rank of society, by the humble workers no less than by the business organizers and the directors of labor.

For this to be done there must be developed a social conscience and a group cohesion and loyalty throughout industrial society, and this can come about only by the efforts—and efforts which are at least partly altruistic—of all levels of industrial workers.

E. G. CHAMBERS

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Total integration in the American enter-  
prise will have been achieved only when all  
workers, including members of minorities,  
are employed on a basis of simple equality.

# MINORITIES IN THE ENTERPRISE

*A Major Job of Integration Still Unfinished*

ALBERT S. FOLEY, S.J.

Institute of Social Order

**A** SIMPLE self-test can be applied by both management and labor to determine their stand on the key matter of functional integration. If the enterprise is integrated on the level of respect for mutual rights as human rights, minority group members will be accorded a proportionate place in the work force. If they are functioning on the level of an armed truce in a conflict where might is right, minority workers will more than likely be excluded or subjected to discrimination.

That this is a valid index for functional integration is demonstrable. A functionally integrated enterprise operates toward the goals of the total economy on the basis of the common good and with regard for the rights of all members of society. This involves not only the rights of the dominant majority. It includes also the human rights of the minorities as well. Rights as rights belong to men as men, whether members of the majority group or of a disprivileged minority.

## Mild Revolution

It is to the credit of many far-sighted industrialists and union leaders that the rights of minority workers in the vital field of employment are gaining an increased attention in American economic life. Progress made in this area constitutes a veritable if mild revolution in

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the practices of both labor and management over the years.

## Exploitive Integration

In one sense, of course, minority workers have been "integrated" into American economic ventures in the past. The unskilled Irish immigrant was integrated into the building of railroads in the East and Midwest, just as the Chinese coolie was in the Far West and the Mexican in the Southwest. The Negro sociologist, E. Franklin Frazier of Howard University, even concedes that the colored worker was "integrated" into the South's plantation economy in the period prior to the Civil War.<sup>1</sup>

This type of exploitive integration was achieved on a level much below that of respect for human rights. The subhuman, work-horse level of the exploitation was clearly revealed in the disregard for human freedom and integrity (under slavery) and in the defrauding of the laborer of his just wages (in the case of the poorly-paid railroad workers).

<sup>1</sup> "The Negro was first integrated into the economic organization when he performed a specialized form of labor as a slave." *The Negro in the United States*, Macmillan, New York, 1949, p. 693. In the same work Frazier develops the concept of the social solidarity of the plantation and the integration of the folk Negro into its social system under the cotton regime, pp. 45-58.

The movement toward a higher type of functional integration of the Negro into the American economy was inaugurated with the abolition of slavery in 1863. Like the immigrant workers, the colored laborer was obliged to begin at the bottom rung of the employment ladder. In point of fact, Negro workers who performed more than 75 per cent of the skilled jobs under the former regime, when "gentlemen" did no manual labor, were excluded from many jobs that were formerly labeled as "Negro work." Lower and middle-class white workers moved from the farms into the fast-growing cities of the South, the border states and the North. These preempted many areas of employment formerly reserved to the Negro. Jobs were redefined as white occupations. The colored minority was crowded out of many crafts and trades.<sup>2</sup>

### Stratified Integration

This effort to confine the colored workers to the bottom of the economic pyramid was but part of the whole move to impose a rigid caste stratification on the relationships between white and freedmen. The enactment into law of many of the caste provisions after the restoration of white supremacy in the South in 1875 seemed to fix the status of colored workers in these menial occupations.

The rise of unionism in the period after 1885 further institutionalized the trend. Horizontal unions in the American Federation of Labor tradition were organized by white workers to protect their own jobs and trades. The typical A. F. of L. union inserted a "Caucasian" clause in its constitution. The machinists' union even wrote it solemnly into

<sup>2</sup> Gunnar Myrdal, *An American Dilemma*, Harper, New York, 1944, pp. 280-303, observes that with the mechanization and powering up of the skilled trades, white workers displaced Negroes who were relegated to exhausting "sweated" labor in the stagnating industries and to "floor engineering" (sweeping, cleaning, dirty work) in modernized ones.

its rituals. The results are observable in the decline of the percentage of colored carpenters, painters, bricklayers, plasterers, plumbers and similar workers in the period from 1885 to 1940.<sup>3</sup>

### Wartime Integration

The impact of World War I arrested this trend momentarily. Labor agents toured the South to recruit skilled and semi-skilled workers for the war plants of the North. Approximately a million Negroes migrated northward and cityward in quest of jobs. Emergency employment of Negroes in the steel mills raised them to seventeen per cent of the total work force. In Detroit and Chicago the colored workers also gained a foothold in many hitherto all-white areas of occupation.

The reaction to their wartime integration, and especially to their use as strike-breakers in the turbulent post-war period, was manifest in the series of large-scale race riots that disrupted the country in the period 1919-1922. The temporary gains achieved in the wartime emergency and those of the post-war expansion boom of the 1920's were nullified by the long depression that began in 1929.

Assuredly, the wartime type of integration was an artificial one. It resembled closely the exploitative type in that it pragmatically opened the doors of war plants to colored workers during a period of desperate labor shortage, only to evict them when the emergency was over. For solid and security-giving progress in integrated employment, a higher type of integration seems to be necessary. It should be based on some sounder principle of solidarity than that of a war-engendered scarcity, which might lead to a merely temporary raising of the caste barriers in employment.

<sup>3</sup> Herbert R. Northrup, *Organized Labor and the Negro*, Harper, New York, 1944, pp. 18-19. Negro carpenters were 25.6 per cent of all Southern carpenters in 1890, only 13.7 per cent in 1940; 47 per cent of the bricklayers in 1890, 31.5 per cent in 1940.

## Vertical Integration

A new catalyst in the process of dissolving the caste-in-labor system appeared with the emergence of the Congress of Industrial Organizations in the middle 'thirties. With its program of vertical integration of all workers into industry-wide unions, the C.I.O. from the start built up its strength by the inclusion of colored workers. It developed a strong policy of non-discrimination. It encouraged the election of colored union officials, even on the national and the international levels. It enforced its policies below the Mason-Dixon line when it organized heavy industry in the Birmingham area.<sup>4</sup>

As Weaver observes,<sup>5</sup> however, the new unions could not and did not create jobs for the Negro worker. In 1940 colored industrial workers comprised only 5.1 per cent of the labor force in manufacturing where they had been 6.2 per cent in 1910 and 7.3 per cent in 1930. Sixty-four per cent of the 4,480,000 colored workers gainfully employed in 1940 were in unskilled labor — domestic service, farming, manual work. Not quite three per cent were in skilled work and supervisory capacities. Still less (2.6) were in professional work. Almost 900,000 were unemployed and on relief.

## Integration by Political Fiat

During World War II the United States government was obliged to intervene for the utilization of all available manpower in the war effort. Discrimination had kept both colored and Mexican-American workers out of many jobs, notwithstanding grave labor shortages. Some firms brought in white

workers pirated from elsewhere rather than employ qualified local minority workers. Vocational training programs inaugurated by the government excluded Negroes and others from preparation for jobs that were not traditionally assigned to them.

A betterment of the employment practices of industry was achieved after 1942 when President Roosevelt issued his executive order for the first Fair Employment Practice Committee. Mexicans moved higher into aircraft, shipbuilding and mining operations, where they had been formerly employed only in menial and common labor jobs. Some semi-skilled and skilled crafts were opened to them.<sup>6</sup>

Colored workers were admitted to hitherto closed areas of employment in iron, steel, meat-packing, shipbuilding, aircraft and related defense industries. The number of skilled colored workers doubled by 1944. Many of these and other semi-skilled laborers entered formerly all-white industrial plants at an above-menial level of employment. More than 323,000 Negroes were given vocational training in conjunction with the all-out defense effort.

As a result of governmental stimulation, colored workers achieved more occupational diversification in those three war years under F.E.P.C. than they had in the previous three-quarters of a century. However, most of this progress was observed in the northern States. Seventy-five per cent of the defense training for colored workers was outside of the South. The limited technical education facilities available for Negroes in the South impeded the movement toward effective integration, even in the post-war and cold-war periods.

## Management Initiative

With and without Federal, state and local F.E.P.C. regulations, progressive

<sup>4</sup> Horace R. Cayton and George S. Mitchell, *Black Workers and the New Unions*, University of North Carolina Press, Chapel Hill, 1939, pp. 321-342.

<sup>5</sup> Robert C. Weaver, "Negro Labor Since 1929," *The Journal of Negro History*, 35 (1950) 20-38, reprinted in Arnold Rose (ed.), *Race Prejudice and Discrimination*, Knopf, New York, 1951, pp. 117-131.

<sup>6</sup> Fair Employment Practice Committee, *First Report, 1943-1944*, U. S. Government Printing Office, Washington, 1945, pp. 98-99.

managerial officials have significantly contributed to the trend toward integration.

International Harvester, Western Electric, General Cable, Union Carbide and Carbon, Bell, Grumman and Schweizer Aircraft, Curtiss-Wright, Remington Rand, Consolidated Edison, Winchester Arms and hundreds of others have taken the initiative in employing colored workers without discrimination.<sup>7</sup>

While most of the pioneering firms are located in Northern areas, it is significant that International Harvester and others moving into the South have brought with them a determined non-discriminatory program. The policy of taking the highest level of integration possible under community patterns and working up from there was adhered to by International Harvester in its Memphis and Louisville operations.

A recent study of managerial practices in a sample of 33 diversified firms (steel, public utilities, communications, automotive, electrical, scientific instrument, radio and television, chemicals, photographic equipment, containers, life insurance companies) showed the feasibility of integration policies inaugurated from above.<sup>8</sup>

The successful pattern of integration emerging from this study includes a firm and unequivocal stand by management on its new policy, a careful selection of minority workers for the initial experiment, consultation of Negro personnel agencies and counselors, insistence on common non-segregated facilities in the plant, a well-adapted orientation program, careful use of grievance machinery for complaints about the integration process and a sense of responsibility on the part of the colored

workers for their share of the program of good human relations.<sup>9</sup>

In adopting this program, the firms effectively submerged employee resistance by appeal to the wider and deeper issues involved. A bare five per cent of the firms experienced any social tension at all because of racial intermingling. Minority workers were readily welcomed to the firms' cultural and athletic programs as well as to the recreational events.

In the crucial issue of promotion and upgrading, it was discovered that the short period of employment of Negro personnel had precluded the possibility of generalizations about this phase of non-discriminatory treatment. But instances were found where colored workers with the required skills and competence were advanced to supervisory positions when their years of experience and acceptance by the rest of the work force warranted it.

On the whole, owing to the fact that hiring policies are within the purview of management's prerogatives, the initial steps in an integration process seem to be the responsibility of managerial officials. The growing body of experiential data in the field is providing safe guideposts for future progress on the part of management.

### Union Progress

The C.I.O.'s challenge to the leadership of the American Federation of Labor has resulted in a whole series of progressive modifications of policy on the part of the older and more conservative unions. By 1949, the A.F. of L. could report that only one of its affiliates, the Railway Mail Association, excluded the Negro by constitutional provision. Still another, the Brotherhood of Carmen of America (145,530) provided constitutionally for separate local unions for colored carmen.

If the admission of colored workers to auxiliary locals be regarded as a progressive step for unions which formerly

<sup>7</sup> Nicholas S. Falcone, *The Negro Integrated*, New York State War Council, New York, 1945, pp. 5-16.

<sup>8</sup> Jacob Seidenberg, *Negroes in the Work Group*, New York State School of Industrial and Labor Relations, Research Bulletin No. 6, Ithaca, N. Y., February, 1950.

<sup>9</sup> Seidenberg, *op. cit.*, pp. 44-48.

excluded the Negro entirely, most of the craft unions in the construction trades would be classified in this stage of progress toward integration. Other large unions also have made this initial step: the Brotherhood of Blacksmiths (24,000), the Brotherhood of Boilermakers (150,000), the Brotherhood of Maintenance of Way Employees (171,000), the Brotherhood of Railway Carmen of America (145,530), the Sheet-metal Workers (50,000) and the Rural Letter Carriers Association (33,150).

Some A.F. of L. affiliates still exclude colored workers by tacit policy. The large (450,000) Brotherhood of Electrical Workers has made the electrical industry an almost complete white monopoly. Even the C.I.O.'s International Union of Electrical Workers has not integrated proportionate numbers of colored electricians. Also following this policy of tacit exclusion is the United Association of Journeymen Plumbers and Steamfitters (A.F. of L.) with 180,900 members, and the Seafarers International with 45,000 members, as well as a half dozen smaller unions.<sup>10</sup>

Progress has been noted in the removal of the color bar in some of the large railroad unions. In 1946 the independent Brotherhood of Railway Carmen repealed the Caucasian clause in its constitution, thus promoting to full union membership the 7,000 Negroes who had been in its 46 second-class locals.

Two years later, the Brotherhood of Locomotive Firemen and Enginemen (102,932) ended its former official policy of discrimination against its colored union brethren. Even the exclusive Brotherhood of Locomotive Engineers, an all-white fraternity of 79,000 members, also agreed to non-discriminatory admission policies in New

York State—a concession wrung from them by the F.E.P.C. in that area.

Regional differences are still observable in the actual carrying out of union policies of non-discrimination. The International Ladies' Garment Workers Union (A.F. of L.) has a splendid record for non-segregated practice in the Northern cities. In the border cities, such as Baltimore, Kansas City and St. Louis, colored garment workers are admitted to locals along with the whites, though they are generally restricted as to the kinds of jobs they hold and the places of work. But in Atlanta and other Southern localities, the I.L.G.W.U. follows the local custom of separate locals for colored and whites.<sup>11</sup>

#### C.I.O.'s Operation Dixie

Since its inception, the C.I.O. has steadily made progress in organizing both majority and minority workers in the South. Successful in its first drive on the organizing of the miners and steelworkers of the Birmingham area, the C.I.O. has spread out from that center to all the Southern states. Locals were encouraged to organize both white and colored and to elect a white president and a colored vice-president, a pattern which was followed without creating undue friction in the tense Southern racial situation.

The C.I.O. United Cannery and Agricultural Workers organized canning, packing and tobacco workers into mixed unions. In New Orleans, C.I.O. International Longshoremen and Warehousemen and the National Maritime Union organized locals that embrace both white and colored workers. Likewise, the Textile Workers of America made a drive on the clothing industry in the South but thus far the drive has not been notably successful. In 1947 of the 645,594 textile workers in the

<sup>10</sup>Leslie S. Perry, "Patterns of Discrimination in Fundamental Human Rights," in *An Appeal to the World*, National Association for the Advancement of Colored People, New York, 1947, pp. 71-72.

<sup>11</sup>Charles S. Johnson, *Into the Main Stream: A Survey of Best Practices in Race Relations in the South*, University of North Carolina Press, Chapel Hill, 1947, pp. 125-126.

2,051 mills of the South, 85 per cent were unorganized.

The failure of this "Operation Dixie" was ascribed by the T.W.U.A.-C.I.O. to the incitement of racial hatred, among other things, on the part of the management of the mills, operating behind the protection of the Taft-Hartley Act.<sup>12</sup> At some Georgia mills, supervisors went about whispering that if the C.I.O. won its N.L.R.B. election, colored foremen would be put in the mill to boss the white women. The C.I.O.'s firm stand for equal rights to work and wages was linked up with the carpetbaggers' platform of reconstruction days and was thus discredited in the eyes of the white mill hands.

The C.I.O.'s adherence to the principle of integration of minority workers has cost it many a chance for successful organizing of Southern industries and mills. But its broad social philosophy furnishes a sounder foundation for a stable social order than would the

ephemeral gains of unionization at the expense of the disfranchised minorities.

### Toward Functional Integration

The whole problem of functional integration is not solved by these steps along the way toward a sounder economy. But these stages of progress away from mere exploitative integration and the caste-in-labor system furnish us with some evidence of broader thinking and policy-making by both management and labor. As each of the partners of the enterprise assumes a share of the responsibility for integrating a proportionate representation of minority workers in its labor force, the public at large will be assured of the ethical soundness of our economic leadership. Government intervention to secure respect for minority rights through Federal fiat will be unnecessary. One more area of the economy will prove to be competent to manage its own affairs without recourse to the police power of the state. The net result will be a more stable functioning of American enterprise for all Americans, regardless of race, creed, color, or other marks of minority status.

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<sup>12</sup>See "Taft-Hartleyism in Southern Textiles: Feudalism with a New Face," the statement of the counsel general of the T.W.U.A. before the U. S. Senate's Committee on Labor and Public Welfare, October 9, 1950.

## The Great Divide

Only with trust can there be any real communication, and until that trust is achieved the techniques and gadgets of communication are so much waste effort. Study after study has pointed to the same moral: before employees will accept management "facts," they must first have over-all confidence in the motives and sincerity of management.

WILLIAM H. WHYTE, JR.

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*The modern American business enterprise, rightly understood and organized, can be a humane economic institution competent to achieve both its economic and its social goal.*

# WORKING TOGETHER

*Toward a Fuller Idea of the Enterprise*

PHILIP S. LAND, S.J.  
Institute of Social Order

**T**HIS article has three divisions: 1. some reflections on the preceding papers, 2. a brief survey of studies which support the conclusions I come to in the first part,<sup>1</sup> 3. some considerations of what the enterprise can and should be. The first two parts are drawn from experience and investigation; the third is more philosophical and is based upon the idea of property and of certain human rights.

The kind of enterprise I am talking about is quite large, employing several hundred to several thousand men, although occasional considerations will apply to smaller units. Ownership is widely diffused, and owners characteristically do not concern themselves with operation of the business. Management makes decisions. (But again, some considerations will concern owner-managed enterprises.)

At least the production workers belong to a union local and have important links with higher and wider union organizations. Management of local business units has corresponding ties which blur the lines of what is to be considered the enterprise. Within some industrial giants, e.g., General Motors, divisions are, for most purposes, independent enterprises, so that Pontiac is in real competition with both Chevrolet and Oldsmobile.

In other large corporations divisions make administrative and executive decisions, if not ultimate policy decisions.

Multiple-product corporations may run each division virtually as a separate business. This complexity, which is of the nature of American enterprise, we do not undertake to unravel. But the representative, if composite, type should be recognizable.

## I.

Our first article set a standard of performance for the enterprise: it must satisfy material and spiritual goals, besides meeting the needs of the public. The subsequent papers, generally, have indicated that many obstacles impede achievement of this competence—even if we confine ourselves to the area of harmonious work relations. Some obstacles lie within the business unit; some rise from outside organizations.

I need not recount these obstacles. But it is important to draw together the lines of thought which suggest that the enterprise is the primary place to look for the solution to them. While the following considerations may seem to bypass some of the obstacles indicated, I hope by selective treatment to establish that, however staggering they may appear, they can be hurdled. The second part will indicate that in many enterprises they are actually being overcome.

### 1. Obstacles at Plant Level

Consider first what goes on at the business unit level. Reflection on Father Becker's article shows that many of the goals must be realized here if they are to be realized at all. But, as the other articles show, it is at this same level that

<sup>1</sup> Readers familiar with such studies can well skip Part II.

many of the obstacles are met. This surely suggests the conclusion that it is folly to work at higher levels for roads to sound social economy before we have seen what can be accomplished at the enterprise level.

Here the producing partners must find (and are finding) new wellsprings of harmonious cooperation, must get to know each other and each other's goals, must discover hitherto unrecognized necessities which may explain past conflict.

One goal of workers, for instance, is a fair share in the fruits of joint enterprise. Often they are suspicious that their share isn't fair. Occasionally they have highly exaggerated notions of capital's share. But in all instances, since there are no completely satisfactory economic norms of distribution (assuming for the moment, that only economic norms are relevant) the partners to production must rely in great measure upon a sense of what is equitable.

#### Requires Trust

But neither a sense of equity nor a persuasion that equity is in fact being dealt out can be hoped for, unless labor and capital have come to know one another in the intimate associations which beget mutual trust. If workers have learned from intimate plant experience the normal fairness of their boss, an employer who wants to deal fairly can then present facts and figures supporting his side of the profit picture with the hope of an unsuspecting employee response.

Such conviction will have a further beneficial effect on the achieving of the material goals of the partners. For workers who have concluded that there are narrowing limits to what they can force out of profits will turn their energies into improving their income by increased productivity. Moreover, there will be little likelihood that they will in angry disappointment turn to the government to force out of the enterprise what they failed to get by their own bargaining power. The American

workman likes to know that he gets his living by his own work and through associations of his own making, that is, his union.

Experience of many kinds has shown that the enterprise is the effective level at which to begin improvement of enterprise competence. The vast amount of study and experiment focused on the plant by leaders of unions, by management and research centers is based upon the conviction that much has been and more can be done *at the enterprise level* to eliminate obstacles to industrial peace. While these men don't believe that teamwork in the plant will end all problems, they have seen the results, for instance, of sharing profits which result from labor saving, of outright profit sharing, of various types of suggestion systems, joint labor-management committees and other useful procedures.

Finally, it must be noted that these bonds of mutuality can *only* be provided by the enterprise. They cannot be provided by the union because forging the bonds of mutuality simply is not the union's function.<sup>2</sup> The implication is not that the union has not important functions which provide for other worker goals, nor that the union cannot be a partial instrumentality of achieving bonds of mutuality by (as an instance) persuading a hesitant management to try profit sharing or productivity sharing.

#### 2. Obstacles From Outside

Turning now to obstacles raised by forces outside the plant, we will not concern ourselves with such general problems as cyclical disturbances, weak monetary or fiscal policies. The obstacles which here concern us are characterized as conflict of the *organized* interests of business and labor. According to this view, the company and union pull in opposite directions, the one for absolute freedom to pursue profits, the

<sup>2</sup> See: C. S. Golden and S. H. Ruttenberg, *Dynamics of Industrial Democracy*, Harper and Bros., New York, 1942, pp. 6f.

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other for increased benefits and deeper invasion of management prerogatives. It is in the organized groups which represent these interests—trade association or other power combines of business interests on the one side, national union or federation on the other—that the major decisions are made which determine policies of either manager or union heads at the individual business firm level.

My purpose in discussing this organized conflict is to supplement the considerations presented in the other papers of this series, rather than to summarize or comment upon them. My additions are inspired by the question, "Can't we suppose that no matter what the outside obstacles may be, the enterprise must be part of the solution?"

### Work within Plant

The following considerations suggest that it should, at least theoretically. First, the enterprise tends to lessen obstacles from outside by reducing tensions between capital and labor. By satisfying goals sought directly through the unit enterprise, it lessens potential conflict. There is simply less to fight about.

Secondly, whatever conflicts of interest remain will to some extent become more amenable to reasonable discussion. Satisfied workers will not press national leaders for arbitrary gains. In some instances they have mitigated the belligerence of certain leaders. The same is true of management. Managers who have learned to live with unions do not easily start an all-out fight to destroy them or to force anti-union legislation. Both sides are more likely to seek arbitration than truculently to refuse.

Finally, we might ask what can be done against the mass conflict, stressed by Fr. Thomas' paper. There are three possible solutions: 1. equalizing power, 2. imposing a solution by government agency, 3. voluntary cooperative adjustment. The first scarcely offers an enduring answer. The second only in-

creases our already alarming trend to statism. The third would certainly depend upon underlying good will between labor and management.

And this can be built up only by personal contact in individual enterprises. If workers experience exploitation where they work, they are likely to suspect it exists in the entire system of private enterprise. But if they have experienced their shop as a good place to work, then they are persuaded that the system as a whole is good. And the same, we have seen, will characterize management's varying responses.

There can be delusion in focusing attention upon higher forms of organization, overlooking the powerful solvents to conflict that lie within the enterprise. There can also be, correspondingly, an unwarranted pessimism. Our principles of subsidiarity provide hopeful avenues along which to work.

## II.

I shall here examine some samples of studies which support the stress I have given in the first section to the enterprise as the primary focal point for an improved industrial order.

*Twentieth Century Fund Report* In 1949 the Fund's Labor Committee published its sixth report, *Partners in Production*. The Introduction states: "Viewed as a series, these volumes may be said to represent current answers to the question, 'What o'clock is it in labor relations?' . . . The target for each report has been the problem that was in the center of the stage of public interest." Their 1949 report addressed itself to the currently most significant issue of better "labor-management understanding." The Committee's answer to the problem was, as stated in the title, *making labor and business "partners in production."*

After outlining goals for labor similar to those accepted in this series and the obstacles to their realization, the Committee reached the conclusion that major difficulties resulted from a mu-

tual lack of understanding of the other partner's necessities and from an unawareness that goals could be integrated. For instance, in considering management's problem of improving production, the Committee asked, "What makes a worker more productive?" It answered, "Whatever makes him more willing." And what makes him willing? A sense of belonging, of purposefulness, of management's receptiveness to his ideas.

### Enterprise Teamwork

The Committee thereupon concluded that the chief key to the goals lies in teamwork within the enterprise. Teamwork will be based upon community of interests and goals, plus community of action toward their mutual achievement.

While labor appreciates the need for authority, authority is meaningless if there is not acceptance by those who receive the orders. And such acceptance is not to be hoped for from workers unless they feel a willingness to co-operate. Similarly, when workers cut back output lest they work themselves out of a job, this must be met by resolving their fears in this regard. But, the committee adds, you will not give workers this confidence about their hold on their jobs until you allow them some direct participation in the affairs of the business through which they can come to feel a tangible stake for them in their work.

The Committee strongly insists that integration of workers into the enterprise must use the union as representative of the workers' interests. To the fears that unions constitute a threat to management, or at least, a menace to high productivity, the Committee says that this need not be feared so long as the union truly performs—and performs only—its function of protecting, representing and integrating its membership into the enterprise. They imply that there is solid reason for expecting such union behavior if we work along the lines the study sets forth.

### Seek Plant Community

Beyond community of interest and action, the Committee concludes there is a community of enterprise in some more fundamental sense. It comes to this, that workers, through their unions, must be permitted to exercise their rightful, democratic share over the determination of the goals and the operation of the enterprise. We must, it believes, "allow the citizens of the nation's shops to govern themselves to the extent that they are able, ready and that it is practicable."

Their reasoning is that once such a plant community is developed and brings about a number of successes in the solution of mutual problems, there will come the mature assumption of responsibility, the acceptance of a set of duties and rewards, an efficiency in the shop routine because it is acceptable, a sense of dignity in one's work because it is understood and is granted social status, a feeling of security that comes from playing a recognized role among one's fellows. There will be the will to produce in behalf of a series of objectives which were chosen by a functioning, alert, cooperative and profitable plant community.

*Causes of Industrial Peace* In 1947, the National Planning Association began an investigation into the "Causes of Industrial Peace." A panel of experts nominated for investigation certain companies which merited to be studied as examples of good collective bargaining relations. About 1,000 nominations were presented to the 27-man committee of selection made up of representatives of labor, management and professional consultants. Presumably these 1,000 companies in some considerable degree satisfied the requirements set down, namely that they be 1. of substantial size, 2. in a strategic industry, 3. unable to buy peace-at-any-price because of monopoly control of the market, 4. unable to account for good relations as the result of

a personality and 5. have a record of having solved problems fairly representative of important industrial relations.

The conclusions that emerged from the case studies are strikingly like those of the Twentieth Century Fund Report: 1. While a prosperous economic environment favored good relations, it could not account for them. The same is true of personalities in union or management. 2. Controlling factor was sincere acceptance and mutual trust. Companies believed in collective bargaining; the union believed in operation of the business by its owners and in union responsibility for its contractual obligations. Particularly of interest to us is the fact that "the unions studied did not destroy worker loyalty to employers. They kept national political issues out of the collective bargaining process."

### Sought Human Approach

3. Both parties practiced skilled human relations. Management avoided legalisms, even the use of lawyers. The union reciprocated. Approach to issues was not in terms of abstract rights and prerogatives but rather of concrete problem-solving. Prompted by trust, neither side felt a need to have its rights defined. Though a firm stand was taken on particular, concrete demands, there was a wide sharing of power.

4. These attitudes and skills worked themselves out into the following day-to-day practices: Top management and the international or district union encouraged day-to-day collective bargaining at the plant level. Management quickly learned that the whole managerial force, down to and including foremen, had to interest itself in good relations and accept collective bargaining. There was extensive consultation and sharing of information, management using the union as a chief means of communication with employees. Management made line supervisors rather than personnel people responsible for good industrial relations. When pos-

sible, grievances were settled on the spot and informally.<sup>8</sup>

Anyone interested in the possibilities of the enterprise as an organization of the highest importance for the future of our social economy cannot do better than read these studies.

*Enterprise For Everyman* As part of a notable effort to form a social philosophy for its business readers, *Fortune* presented two remarkable articles by Russell Davenport. The first, October, 1949, was entitled "The Greatest Opportunity on Earth." The second, January, 1950, was called "Enterprise for Everyman."

My brief of Davenport's main points will not reveal his gifted insight into the meaning of enterprise for businesses which have gone seriously about their social responsibilities and made their place of business truly competent in terms of human goals. Davenport believes that the worker enjoys his constitutionally guaranteed right to life only if he gets out of his work security of livelihood, humanized work relations and participation. These are the responsibility of management and labor within their own business orbit. But thirdly, in achieving these the union plays an essential role. He says, "The first step in the humanization of labor is collective bargaining."

### Genuine Participation

But this is not enough. "The worker needs . . . a sense of *belonging*." And, he warns, this belonging does not come from "human engineering" and other gadgeeteering that goes on in some management circles. The humanization must be undertaken "with the utmost earnestness" through "adequate forms of communication between employer and employee." "Management must really respect worker's ideas."

<sup>8</sup> See: Philip S. Land, S. J., "Causes of Industrial Peace," *SOCIAL ORDER*, 2 o.s. (November, 1949) 401-16.

Ultimately this sense of belonging must come from real participation. "Only the personal participation of the employee in *both* the profits *and* that part of management which has to do with production can evoke from him the kind of dynamic cooperation that the enterprise system now needs."

### Spirit of Team

The second article, "Enterprise for Everyman," carries the sub-title, "A case history of how the Scanlon plan, as applied by union and management at LaPointe Machine Tool, raised productivity, profits and pay."

The point of the article is contained in one sentence:

Real participation consists in finding means by which to reward labor for any increase in productivity, and then in *building around this formula a working relationship between management and labor that enables them to become a team.*

Once a team has been established, "... labor's prime interest, just like that of management, becomes *productivity*."

The article details one of fifty (now sixty) successful plans of sharing productivity introduced by Joseph Scanlon of Massachusetts Institute of Technology. The plans grew out of an experience in productivity-sharing when, back in 1936, Scanlon was union president in a marginal steel company about to go bankrupt. At the advice of Clinton Golden of C.I.O. headquarters, he went to work on a joint labor-management plan to save the business. The plan worked like magic, and Scanlon was moved to union headquarters to help other businesses in their survival problems.

### Labor Savings Shared

His formula is to find a "normal" labor cost for the plant under consideration and then to devise a means for giving labor the benefit of anything it can save under that "norm." Thus labor benefits from the labor savings, while the company profits from better

use of its assets. At LaPointe the beginning of the system is a suggestion box into which employees put their ideas about improving operations. A remarkable number of these suggestions are put into operation.

Davenport's comment on the days he spent watching management and the union in joint meetings studying almost every aspect of the business is "*collective bargaining has come of age.*" He tells us that "the effectiveness of such teamwork becomes especially apparent in crises. LaPointe has been through three critical periods since the plan was installed, and it has lifted itself out of them principally because the plan creates an overwhelming incentive to cooperate."

The sixty Scanlon plan companies are just sixty more testimonies to our proposition that the enterprise has proved itself competent to satisfy the goals of the industrial partners and those of the community.

### The Trusteeship Idea

Many professional managements have attested the growing persuasion that the enterprise is a trustee of all interests engaged in the operation. They consider unrealistic a legal concept that makes them agent exclusively of the owners, to the detriment of workers and the public. Peter Drucker, for instance, argues that the balancing of all these claims is the task of the corporation as "the core socio-economic institution of our society."

Frank Abrams, of Standard Oil of New Jersey, states this view in the *Harvard Business Review* for May, 1950. Businessmen, he says, must "conduct the affairs of the enterprise so as to maintain an equitable and workable balance among the claims of the various directly-interested parties." As part of this responsibility Abrams says (and his own record is impressive in this regard) that management must work for a peaceful and wholesome environment for their employees, con-

tributing to a satisfactory way of life for those who "invest their hopes and energies, and seek from their work satisfaction and opportunity to understand their role."

### Some Paternalism

We need not comment on the paternalistic bias of such statements. It appears that such thinking considers as exclusively the prerogative of the professional managers the right and responsibility to direct the enterprise to all of its various ends. There is none of Davenport's conviction that labor must be integrated through some real participation in those management decisions which concern production.

This same bias appears again in an otherwise remarkable paper by Dean David of the Harvard Business School, "Business Responsibilities in an Uncertain World," *Harvard Business Review*, May, 1949. But despite this bias one discerns again, though in different garb, the sense of what the enterprise is and ought to be. There is recognition that *it* in some way belongs to all who engage their lives in it.

### III.

Thus far our approach has been for the most part empirical. We have been drawing together materials for a judgment about the enterprise from study of concrete experience. In this third part I want to add some supporting considerations drawn from analysis of the nature of man and his ends. These considerations are, I think, important because they reinforce our convictions that the goals of workers are not just self-seeking, and the integration into the enterprise which these goals imply is not arbitrary or unwarranted. On the contrary, the goals are revealed as needs of man as man. They are exigencies of rational nature.<sup>4</sup>

<sup>4</sup> Before discussing this further, an objection should be cleared away. It may be argued that at other periods of history, and also in other countries in our own day, men do not think of asking so much

Let us consider only three such human needs involved in work. The first and most obvious is the need for provision of livelihood. The second is the need of rational nature for man to direct himself to his ends. The third is the need to be able to exercise a socially useful role in and through work.

#### 1. Accessibility to Livelihood

Accessibility to livelihood for all is the goal of a nation's economy. God intends the people's resources to provide them with a living and each man has a right to be reasonably secure in his efforts to maintain himself and his family. In this regard all are equal. Now this accessibility to livelihood, in our industrial order, is pre-empted by the business enterprise. Our society has so organized its work that most men must work in some business firm or not work at all.<sup>5</sup>

American society permits the business enterprise to organize and control the resources from which most must make their living. This line of thought suggests that the enterprise must provide a more assured association than mere contractual relationships afford. Our society has shown a progressive acknowledgment of this, first by legislating many protections of worker

participation in what traditionally has been considered the exclusive domain of owner and manager. Part of the answer is this. Some needs of man manifest themselves only after certain human and social development. For instance, a people who live under patriarchal tutelage may perhaps have no widespread awareness of the drive of rational nature toward self-direction and self-responsibility. For this reason it is a commonplace to say that democracy cannot be forced upon a people unprepared for it.

<sup>5</sup> Consider these figures on the proportion of Americans in farm and urban population. Farmers back in 1920 were thirty per cent of the population, in 1940 they were about 23 per cent and the trend continued downward. In 1850, seven out of ten were farmers; in 1950, two out of ten. In the year 1950 only thirteen per cent of the employed were on farms.

status, secondly by accepting the union's protective function.

The job of providing secured accessibility to livelihood through work must be the responsibility of the enterprise, rather than higher organizations. Our principle of subsidiary function demands this, for the greater organizations exist only to help the lesser.

## 2. Need to Direct Oneself

This principle, that a man needs to be able to direct himself to his ends, flows directly from his rational free nature. Under God free men, possessed of intelligence, are self-directing. It is their right and responsibility to take such means for furthering their ends as their intelligence suggests. Now, in a society in which men could provide their living in greater part from property of one sort or another, we would appreciate more readily how large a part self-direction should normally play in a man's work. The farmer or craftsman or shop-keeper has a relatively high degree of autonomy.

It is self-direction which, seeing in cooperation an essential means of achieving a good economic order, induces men to enter work associations. Such associations become only new and organized modes of self-direction. A corollary of this is that no contract for a man's labor to be used by another should preclude all opportunity for effective self-direction. This will require real voice in policies which determine how his work will be used.

## Unions Protect Worker

Now it is true that collective bargaining does give the worker a considerable influence on policies. Wages and other monetary benefits, hours and conditions of labor are subjected more and more to his control. We are fast approaching an acceptance in this country of labor's right to share decisions directly bearing on practically every phase of the worker's place in the productive process. Much of what has

not yet been accomplished in this area will be the matter of continuing effort in the annual negotiation of contracts.

Part of it is being achieved by day-to-day administration of the collective contract at the individual plant level where local agents and shop stewards become the effective voice of self-direction.

## Individual Efforts Needed

But part of it must come from immediate individual action. It is not enough that one is well *represented*. The life of a good citizen could not be defined in terms of complete representation at every possible level. He must directly initiate or at least cooperate in some civil activities himself. Similarly, work must provide such opportunities. One has to be realistic about this sort of thing, exaggerating neither the necessity of it nor the chances of satisfying it without disruption of productive work-flows.

Nevertheless, as Davenport shows, there are ways of more fully implementing this right, thus personalizing work. I need only cite experiments already noted: suggestion boxes, team discussions of work planning and lay-out; incentive schemes; joint committees on projects of mutual interest, as Community Chest drives and other community programs. The National Planning Association studies prove there is an efficacy in these programs well tested by experience.

## 3. Exercising Responsibility

The third need, that of exercising responsibility toward the welfare of others, may appear to the cynical as something to which the average worker, owner and manager, is pretty indifferent. Even if there be truth in this charge, it remains true that many workers, as Davenport says, "get a kick out of helping others." Moreover, part of the indifference is due to being so long in situations which failed to provide the opportunity for helping others or the

social approval which rewards it. Finally, I do not pretend that the enterprise answers all the inadequacies of personal character. There is, after all, Original Sin.

Men may have to be educated to understand their responsibilities and to accept them. But it should prove easiest to do this within the plant where men can come to know how much their productive performance helps or hinders achievement of a good living for the plant members as well as for the wider community. Here, moreover, they can come to appreciate their responsibility to help create satisfying work relationships.

### What Is the Enterprise?

When we try to formulate an overall concept to embody both our empirical findings as to the aspirations of workers, as well as the exigencies of human nature just discussed, we are at somewhat of a loss. In other words, precisely what the enterprise is presents us with something of a problem. This is due in part to looseness of language, to differing conceptions of the enterprise and to the dynamic nature of the relations involved.

Nevertheless, I should like to say something toward such a formulation. For all of this material which we have investigated suggests a new concept of the enterprise. Some express that concept as a trusteeship of management. Others call it teamwork, or a community of goals and cooperative action. Others speak of integration and association—still others, of economic community. Finally some believe the enterprise is strictly a natural society. Thus the gamut runs from a spirit of teamwork to a concept of the business unit which (at least in the case of large stock corporations) takes it out of the realm of private property into that of public institutions. As such, it becomes an institution of society similar to family or civil union.

### Broader Concept

A common conviction is held by those who use these characterizations. It is that the enterprise is something very different from the purely legal conception of it. The law makes a corporation an agency exclusively of the stockholder and his profits. The active agents, management, join the services of labor to the capital they represent on an exclusively contract basis.

It therefore appears necessary to attempt some precision in analyzing this topic. For without it we cannot say certainly what basic social concept we should use to help us in understanding the full reality of the enterprise. Shall we go so far as to call the enterprise a public institution, as some European Catholics are doing? If not, must we not at least be able to affirm a significant development of private property—so significant as to force us to fashion a more adequate property view of the enterprise?

### Two Thinkers

In making my own formulation I avail myself of two remarkably similar statements. One comes from a writer who forms his synthesis out of the raw material of day-to-day industrial relations, Mr. Davenport. The other comes from a philosopher whose formulation derives from applying the philosophy of man to the new situations of modern industrial life, Jacques Maritain.

Davenport's formulation, pieced together from his article, "The Greatest Opportunity on Earth," comes to this: "Real participation in profits and that part of management which has to do with production can evoke dynamic cooperation. This principle of participation . . . represents . . . an actual integration of the worker's economic rights with the industrial process. [The] result is a dynamic working unity which grows out of bargaining at the table and yet wholly transcends it."

Compare this remarkably similar statement of the philosopher. He first contrasts nationalization, which conveys "socialistic meaning," with *socialization*, which "would have rather a personalist and pluralist implication." Then Maritain continues:

For it [socialization] refers to that process of social integration through which *association in a single enterprise* extends not only to capital invested, but also to labor and management. And all persons and various groups involved are made participants in some form or other of co-ownership or co-management.<sup>6</sup>

In my judgment these two writers present as satisfactory and sound a formulation as can be made at present. Perhaps tomorrow we shall reformulate these relationships as changing situations bring out new implications which we have somehow missed.

Let me rearrange the elements of Davenport's and Maritain's statements to read thus: The enterprise represents an *integration* of the industrial co-operators into an *association* which provides them with a true belonging to *community*.<sup>7</sup> Let me say a few words in justification of this formulation.

### Integration

To integrate is to make a whole from parts. A social whole is made of persons ordered through some principle of unity. An unfortunate emphasis upon efficiency tends to regard the enterprise solely as a productive whole. Thus, an enterprise is well integrated, in this

<sup>6</sup> See: Jacques Maritain, *Man and the State*, University of Chicago Press, Chicago, 1951, pp. 21f. In the lines following Maritain expresses his belief that this does not represent "an attack on private ownership. It depends on the search for new economic modalities. . . . It rises from the natural growth of the system of free enterprise when *common consciousness becomes aware of the social function of private property.*" (Italics inserted.)

<sup>7</sup> For an extremely illuminating treatment of this whole topic, see: Bernard W. Dempsey, S. J., "Roots of Responsibility," *Harvard Business Review*, 27 (July, 1949) pp. 393-404.

view, if capital, labor and management give high, well-meshed performances which produce good returns for owners and good wages and salaries.

Unquestionably a business must achieve this since it must satisfy the material goals of its component members and satisfy its responsibilities to society. But for competence in satisfying even material goals (and there are others to be considered), the enterprise must integrate participants into a greater whole than just high productive coordination. The parts will not, as we have seen, produce to capacity unless they realize in their effort the fullness of their legitimate aspirations. Only this will release the fullness of their energies.

### Association

Since the integrated whole we are talking about is social and human, its root of unity must be spiritual. Among men such unity involves *friendship*. Maritain observes that civil union requires friendship, mutual acceptance on a basis of sharing things common. *The first of the things shared is our human nature:* employers and employees must see each other as endowed with rights and responsibilities springing from their common human nature. *The second bond is the work itself.* Work should make friends and should help powerfully to extend through society the friendship needed to make it a good society.

This idea of friendship through work is not mere romanticizing. Religious groups, Quakers and Mormons for instance, realize it. We know of primitive peoples who provided each other with livelihood on the basis of reciprocity.

Good will and social ingenuity must work to discover such means of achieving this association within the enterprise as were examined in Part II of this discussion. Pius XI insisted that workers cannot be integrated merely by the work contract:

In the present state of human society, however, We deem it advisable that the work contract should, when possible, be modified somewhat by a contract of partnership . . . In this way wage-earners are made sharers in some sort in the ownership or the management, or the profits.<sup>8</sup>

### Community

Community finally is clearly an element in the idea of enterprise here developed; it is mentioned explicitly only to emphasize the quality of *felt, experienced* association, since it consists in the more affective side of friendship shared in social groups. Bonds analogous to those that unite a national or an ethnic group, loyalty to

<sup>8</sup> *Quadragesimo Anno*, n. 65.

the group, pride of association, "business patriotism," *esprit de corps*, should be part of the bonds about one's work.

Such bonds existed in the medieval guilds where master and workman not only worked together, but played and worshipped together on their patronal feast days. This affective side of friendship is present in the bonds that hold together such professional associations as those of doctors, lawyers, and trade unions. Actually many factories want this and seek to build a spirit of team work. To this end they use plant newspapers, bulletin boards, sports programs, picnics, personal hearing of grievances, and many like devices.

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# PLACE OF THE ENTREPRENEUR

*Two Works on Joseph Schumpeter*

BERNARD W. DEMPSEY, S.J.

University of Delhi, New Delhi, India

**J**OSEPH A. SCHUMPETER as an economist held—his penetrating analysis of the facts showed—that the economic factor which defies the principle of substitution is human personality. The motive force of material progress drives forth from the non-material forces within the human mind and will. He was in many ways a living example of his own thesis of the vital role of human personality.

*Schumpeter, Social Scientist*<sup>1</sup> is above all a tribute to a personality. There is comment on his work in many fields: various economic areas, sociology, politics, methodology. His views are explained, elaborated and extended, but always the man is bigger than the job. His analyses are treated respectfully, as they so well deserve, but even in the most abstract discussion, respect and affection for the man are never far beneath the surface.

## Integral Personality

This powerful personality was not a simple one; Schumpeter was not the plain, strong, silent man of the American frontier. He was complex and subtle, keen, ingenious, fluent and urbane; in a word he might have ap-

proved, he was polyphase. But these high-octane qualities functioned in effortless harmony with homelier qualities of kindness, courtesy, generosity and patience—and an insight and tolerance of dimensions beyond the bounds of measurement.

Paradox, some may say of such a character, yet, the man was integral. His central ideas developed smoothly from the vision of the extraordinarily intelligent graduate student, and they developed smoothly, by "marginal increments" and not by unrelated bursts or unforeseeable tangents. The theory of development led to the theory of interest, cycles and monopoly, and the theory of development as a phenomenon personal and social as well as economic led to the sociology of capitalism. Perhaps Schumpeter's outlook was even more deeply affected by his personal history and development than is usual. Sadness early in life, the loss of things very dear, the utter disintegration of the culture in which he was bred may have heightened a quality of ultimate aloofness and tempered his enthusiasms. These experiences, however, did not alter the direction of his studies or the pace at which he worked. But perhaps some of the scientific detachment he sought to practice was really the reserve of one whose deepest attachments have been painfully loosed. Yet this reserve was no barrier to friendliness.

<sup>1</sup> SCHUMPETER, SOCIAL SCIENTIST.—Seymour Harris, ed., with bibliography of Schumpeter's writings, Harvard University Press, Cambridge, Mass., 1951. Pp. 142, \$4.00.

### Single Anomaly

One curious gap between his personal outlook and his theory has not been closed by the many comments on his writings. Since persons were so important to him concretely and analytically, his indifference to the effects of forced saving on the lives of many persons is surprising. His repeated acceptance of Juglar's maxim that the only cause of depression is prosperity would seem to argue for a policy that would avoid over-stimulation and thus avoid underemployment. Entrepreneurs would have to pay savers a higher price for the means of innovation. Progress would be slower but smoother, surer, more enduring. Moreover, a more consistent adherence to this position would have been a telling mark against Keynes, who grounds his principles of economic hygiene on the pathology of depression.

Some have hinted that the aura of aristocracy which surrounded Schumpeter's youth made him indifferent to the effects of forced saving, as a partisan of the elite. There seems to be little validity in the suggestion; the patron of "new men" in the field of economic progress would not be fussy about pedigrees.

We can leave the point. Schumpeter as social scientist had the rare talent not only of stripping an economic problem to its barest analytical skeleton but also of reclothing it with the live flesh of historical, statistical and sociological, as well as economic, circumstance. The variety of his skills is well mirrored in the variety of authors and topics in the nineteen papers of this volume. The economist who reads them with care will find them enjoyable and instructive, and they may well serve to give wider circulation to a fuller understanding of Schumpeter's thought. A fuller understanding of Schumpeter's innovations could well lead to a period of intellectual prosperity in American economic analysis.

### Role of Entrepreneur

Father Taymans<sup>2</sup> has set himself a formidable chore which he handles competently. The concept of the entrepreneur is reviewed in Say, Saint-Simon and his school, in Marx and Engels, but most of all in Schumpeter. The search reveals surprising lights in surprising places on the nature and importance of the function of the enterprise and the entrepreneur. Especially striking is the brief but detailed analogy traced between Schumpeter and Tarde.

The net of these studies is to reveal that, sometimes explicitly, sometimes implicitly, or even unwittingly, all the authors reviewed yield to the entrepreneur a cultural role. All are aware that development is an economic fact not to be ignored, but it does not leap from nowhere. Father Taymans marshals their arguments to show that what they actually contend or concede is that development begins in the mind and only individual human persons have minds which can project the abstract into the future. And only human personalities have wills to determine the fluid data of economic activity into the forms the entrepreneur envisions. Make what allowances you will for the pressures of scarcity and the limitations of ignorance, a full, realistic grasp of what the entrepreneur actually is and does marks the end of economic determinism.

### Importance of Person

Schumpeter was fond of emphasizing that a given economic situation arises not out of the previous economic situation, but out of the previous *total* situation. Father Taymans' study elaborates and supports that principle to the benefit of realistic economic analysis and of the place of human personality therein.

In approaching his conclusion Father Taymans poses a question arising from

<sup>2</sup> L'HOMME, AGENT DU DÉVELOPPEMENT ÉCONOMIQUE.—Adrien Taymans, S.J. Institute des Recherches Économiques et Sociales, E. Nauwelaerts, Louvain, 1951. Pp. 326, no price given.

Schumpeter's last major work, *Capitalism, Socialism and Democracy*. "The economic process has a tendency to socialize itself and to socialize the human soul." Can this mean then that "The free man is bound to emerge the slave of the rationalization he has created"?<sup>3</sup> The answer is "No"—and Father Taymans' answer to the question is Schumpeter's; the only ones discouraged are those who while "paying lip service to Christianity and the other values of our civilization lack the courage to rise up to their defense."<sup>4</sup>

### Inheritor of Tradition

Schumpeter has been revealed, and Father Taymans has found in Schumpeter and others, not only an enlarged and more meaningful concept of enterprise but a profoundly deepened one. Enterprise means men, and it does not mean economic men. The answer to those who argue the inevitability of socialism is not to be found with the economist alone but from the students of social science as a whole—the

moralist, the philosopher, the true politician. All this Father Taymans neatly integrates with Schumpeter's brilliant economic dynamics and with the hints, glimpses and shadows of the other authors reviewed. "The most powerful source of these motives [against determinist defeatism] is possessed by those who know, with a certitude that rises above the doubts and uncertainties of human reason, that man is essentially a free person."<sup>5</sup>

Stolper, in the first book under review,<sup>6</sup> makes perhaps the most illuminating observation, wholly consistent with Father Taymans' conclusions: "Nor is Schumpeter's an economic interpretation of history in any exclusive sense. Rather, the economic interpretation is part of the larger vision of the historic process. The real ancestors of Schumpeter are not Marx, but St. Thomas Aquinas, St. Augustine, Plato and Thucydides... Schumpeter's vision is truly part of Western tradition and an important contribution to Western thought."

<sup>3</sup> Schumpeter, *op. cit.*, p. 219.

<sup>4</sup> Schumpeter, *op. cit.*, Preface to second edition.

<sup>5</sup> Taymans, p. 298.

<sup>6</sup> Harris, *Social Scientist*, p. 108.

## Responsibility

Every social organism, of whatever kind it may be, which does not provide its members with these satisfactions [of responsibility], is diseased and must be restored to health.

SIMONE WEIL

## ACKNOWLEDGMENTS

P. 202: Chairman, General Foods Corporation, at a convention of the National Association of Manufacturers, quoted in *Time*, April 14, 1952, p. 97.

P. 209: Address to the *Unione christiana Imprenditori Dirigenti*, the Italian Catholic Employers Association, Rome, January 31, 1952.

P. 220: *Psychology and the Industrial Worker*, Cambridge University Press, New York, 1951, pp. 147-48.

P. 226: *Is Anybody Listening?* Simon and Schuster, New York, 1952, p. 23.

P. 240: *The Need for Roots*, G. P. Putnam, New York, 1952, p. 15.

# Worth Reading

"Le Patronat devant le Syndicalisme,"  
XII<sup>e</sup> Congrès de la Fédération des  
Patrons Catholiques de Belgique, Liège,  
December 15-16, 1951, *Bulletin Social des  
Industriels*, 24 (January, 1952) 1-82.

The sessions of the twelfth annual convention of Catholic Employers Association of Belgium examined relations between business and the trade unions.

An introductory article reviewed the origins and growth of trade unions from local, illegal, clandestine groups to the national organizations of today. The survey reports union objectives, methods, theory, as well as the widespread pluralism of federations.

A second paper indicated the actual roles exercised by unions in the social and economic life of the country. Strongest group is the socialist federation, which includes about sixty per cent of the organized workers of the country. Christian groups comprise about 36 per cent, while independent unions have less than five per cent of the workers. Socialist strength is overwhelming (88 per cent) in Walloon Belgium. The growing influence of associations (employers' as well as workers') upon the economy at the enterprise, industrial and national level accentuates difficulties rising from the divergent group and communal interests of the participants.

Political influence, both direct and indirect, of trade unions was the topic of the third paper. Indirect influence is exercised by the union's impact upon public opinion; direct influence through connections with political parties, upon the executive branch immediately or even by participation in paragovernmental branches of the executive; finally, there is the direct action of a political strike. In general indirect influence was approved and direct action condemned, but the need for further clarification of the second form of influence was expressed.

The Church's teaching on unions, elaborated through some sixty years, was summarized in the fourth paper. Basic is the right of free association and of individuals to attach themselves to such associations.

The conclusions of the convention manifest an admirable spirit of cooperation on the part of the businessmen in efforts for the common good, although they insist upon the total autonomy of management for decision-making and execution.

"Où Va l'Entreprise?" *Cronique Sociale de France*, 61 (January-February, 1951) 1-90.

This issue of the bi-monthly organ of the Semaines Sociales of France carries several articles on developments of the enterprise. Following are most profitable for Americans. "Vers un Droit de l'Entreprise," which discusses re-formulation of law to catch up with the social developments of business organization. Two institutionalist approaches are presented, followed by the author's judgment that before legislating, more exploration should be made of collective bargaining trends.

A second discusses "Un Projet de Loi pour l'Association du Travail et du Capital." There is also an excellent summary of "L'Expérience des Comités d'Entreprise," upon which judgment can be formed as to the future of this type of experiment. Then follows discussion of workers' cooperatives ("Les Coopératives Ouvrières de Production en France") in which worker ownership and operation is substituted for wage earning. A "document," *La Communauté Boimondau et le Mouvement Communautaire*, provides a brief statement of the principles underlying this experiment which replaces contractual production by a communal productive activity embracing not only the economic activity but the entire life of the cooperating worker families.

Perhaps most helpful, because entirely applicable to the American scene, is the piece, "Contribution à une Philosophie Chrétienne de l'Entreprise." Herein are laid down three principles:

1. The primary end of the enterprise is to furnish at a just price an honest product; profit is a reasonable gain for service rendered.

2. The enterprise, as an organized group, is not directed exclusively to the good of the owners nor only to material goods. It seeks the common good—moral as well as material—of all participants, who should collaborate as citizens.

3. Despite its private contract basis, the enterprise has communal aspects. Though not a natural society like the family, it is much more than a mere network of contracts. For these reasons while there is not strict right to co-management or to profit sharing, Christians should work for the ideal—but sanely—of modifying the wage relationship in the many ways suggested.

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